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From Managing Director's Desk To Readers

Russia Vs Ukraine: Impact On Indian Stock Market

Since the Russia Ukraine war has been flooding the markets with unexpected surprises so far. Rising crude oil prices are likely to hurt the Indian economy stroking inflation amid war between Ukraine and Russia. Russia being the world's second largest producer and exporter of crude oil, the supply chain is in the awe of looking for positive movements before experiencing the hike in every sector. Besides, looking onto the other side of the coin, it may also benefit India.

The reason being global players are looking for an alternative source for commodities like steel and aluminum where Indian businesses can benefit. Later, coming months down the line, the commodities supply disruptions to the EU would generate greater demand for steel, engineering goods, etc., of which India can be an alternate supplier.

Looking into the equity markets, it have taken a beating while crude oil prices have rised to triple digits a barrel. Crude oil prices are now hovering at around a 7-year high, with Brent oil prices surging above $100 a barrel for the first time since 2014. It may be noted that Russia is a key supplier of energy globally. Europe relies on Russia for about a quarter of its oil supplies and a third of its gas.

After Russian military's invasion in Ukraine, global defence expenditure is expected to shoot up exponentially. According to the stock market movement, due to this Ukraine-Russia war, some tension is expected in Chinese sea, especially around Taiwan. So, expectations are defence stocks to perform well at global bourses. In India, secondary market are been highly bullish on defence sector stocks.

Salil Shah

Managing Director
Lakshmishree Investments & Securities Pvt Ltd

Look What Our Research Analyst Has To Say…

High crude oil prices may dent govt revenue by Rs 1 lakh crore, but may fall as fast as they rose. Crude oil prices, which soared well past $100 per barrel in the wake of the demand-supply gap and the Russia-Ukraine war, could also fall back faster than the sharp rise.

Crude oil prices, which soared well past $100 per barrel in the wake of the demand-supply gap and the Russia-Ukraine war, could also fall back faster than the sharp rise. But if it persists, the boiling crude oil may burn a Rs 1 lakh crore hole in the Indian government's purse, said SBI Ecowrap in a recent research note. Brent crude price scaled a seven-year high of $105.79 per barrel last week. Crude oil prices have risen close to 30% so far this year. The initial rise in prices came on the back of increasing demand, and then more recently the conflict in eastern Europe has made investors fret.

If global crude oil prices remain elevated and hover around an average of $100 per barrel, inflation will likely increase by 52-65 bps. "Interestingly, petrol and diesel prices have not changed since November 2021. Based on the existing VAT structure and taking Brent crude price of $100-$110 per barrel, diesel and petrol prices should have been higher by Rs 9-14 each as of now," the note said.

On the other hand, if the government cuts the excise duty on petroleum products by around Rs 7 per litre to prevent rates from rising, then it will incur an excise duty loss of Rs 8,000 crore per month. "And if we assume that the reduced excise duty continues in the next fiscal and assuming petrol and diesel consumption grow around 8-10% in FY23, then the revenue loss of the Government would be around Rs 95,000 crore to Rs 1 lakh crore for FY23," it added. The government's full-year budget size is at Rs 39.45 lakh crore.

"Historical trends (since 2018) indicate that it takes around 18 months for crude prices to crash by as much 67% from the highest level and 30% drop from highest level could even come in less than 3 months," the note said. This observation leads analysts to conclude that the decline in crude prices from the current high levels could come even faster going by the recent trends. They added that such a fall augurs positive for overall macro prognosis. "Financial markets also recover faster after a geo-political induced decline as the experience of 3 decades reveals,"

Crude oil prices as of now are already down from seven-year highs hit last week. Brent crude futures were trading at $98.90 per barrel on Tuesday morning, down from $105.79 last week. The impact on India from the war between Russia and Ukraine is seen to be economical and not strategic. While rising commodity prices will impact CAD and domestic inflation, the export outlook of services towards Europe will be impacted negatively.

The average price of the Indian basket of crude oil has risen to $84.67 per barrel in January 2022 from $63.4 per barrel in April 2021, a 33.5% increase. According to SBI Ecowrap's calculations, every $10 increase in Brent crude price will lead to an increase in inflation by 20- 25 bps.

NIFTY CHART

On the domestic front the Nifty has tested the falling channel as indicated on the chart. The angle of decent of the fall from channel high has been 45 degree, every secular market move is always healthy when it is at 45 degree hence it will be wise to say that rising crudeoil and war has dented the bullish market. Rallies back into support zone of 16800-17150 will now act as major resistance and should be used to exit all longs. The index has been trading below the long term moving averages of 150 and 200 day moving average. The spread of 50 ,150 and 200 day moving average at 16780-17310 coincides with price action horizontal resistance and this will be the major supply zone for any and every rally heading forward in the month of march. Only on a strong weekly close above 17300 will turn the tables till then its a sell on rallies for now. Targets on te downside are placed at 15800 odd levels.

Anshul Jain

Research Analyst

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Stocks To Watch

1. Sanofi India Ltd.

Industry	Reco/View	CMP	Price Target
Pharmaceuticals	Buy	Rs. 7,277	Rs. 9,250

Shree Varahi Scrip Code	SANOFI
BSE Code	500674
NSE Code	SANOFI
Market Cap (Rs cr)	16,760
NSE volume: (No of shares)	17,890
Free float: (No of shares)	91.2 Cr
52 Week High (Rs)	9,300
52 Week Low (Rs)	6,946

Share Holding Pattern %	
Promoters	60.4
FII	10.3
DII	19.1
Others	10.2

Our Take…

Sanofi India Limited (Sanofi) reported a weak performance for the quarter and results missed estimates. However, numbers are not comparable on a y-o-y basis due to the hiving off of the neutraceuticals business. Revenue at Rs. 688 crore declined by 4.5% y-o-y, while operating profit margin (OPM) contracted steeply by 469 bps y-o-y, reflecting cost pressures and operating de-leverage. Consequently, adjusted PAT at Rs. 90.4 crore declined by 26.5% y-o-y and was below estimates. With divestment of the slow-moving business – Nutraceuticals and Soframycin and Sofradex recently and Ankaleshwar plant in the previous year, the company is eyeing a linear cost structure and has created a bandwidth to enhance focus on growing its core therapies of diabetes cardiac, which bodes well from a growth perspective.

Valuations…

Retain Buy with a revised PT of Rs. 9,250: Sanofi has divested its slow- moving business and has laid its focus on the anti-diabetic's segment for growth and is looking to enhance its geographical penetration. Moreover, a chronic-heavy portfolio, strong performance of top brands, and a dominant share in their respective categories provide comfort on growth ahead. At the CMP, the stock trades at 27x and 24.3x, respectively, its CY2022E and CY2023E estimates. Considering its high- growth visibility from chronics, strong and debt-free balance sheet, sturdy dividends, and healthy cash position, premium valuations are expected to sustain. We retain our Buy recommendation on the stock with a revised price target (PT) of Rs. 9,250.

Peer Valuation…

Particulars	CMP (Rs/Share)	O/S Shares (Cr)	MCAP (Rs Cr)	P/E (x)			EV/EBITDA (x)			RoE (%)		
				CY21	CY22E	CY23E	CY21	CY22E	CY23E	CY21	CY22E	CY23E
Sanofi India	7,277.0	2.3	16,760.0	29.5	27.0	24.3	17.6	16.0	14.2	42.5	25.0	24.8
Abbott India*	17,010.0	2.1	36,145.0	52.3	44.7	39.4	33.8	28.8	25.1	26.5	26.6	25.6

Financial Summary…

Particulars (RsCr)	CY2020	CY2021	CY2022E	CY2023E
Total Sales	2901.9	2956.6	3079.7	3295.1
EBITDA	802.9	836.9	905.9	1000.8
OPM (%)	24.6	25.8	27.0	28.0
Adjusted PAT	519.3	568.2	620.3	687.8
EPS (Rs.)	225.8	247.0	269.7	299.1
PER (x)	32.2	29.5	27.0	24.3
EV/EBITDA (x)	18.8	17.6	16.0	14.2
ROCE (%)	32.2	33.2	32.4	32.3
RONW (%)	22.5	42.5	25.0	24.8

Results…

(Rs Cr)	Q4CY2021	Q4CY2020	YoY%	Q3CY2021	QoQ%
Revenues	**687.9**	**720.3**	**-4.5**	**754.5**	**-8.8**
Operating Profit	127.2	167.0	-23.8	198.8	-36.0
Other income	16.3	16.2	0.6	14.7	10.9
Interest	0.4	0.4	0.0	0.5	-20.0
Depreciation	10.9	20.4	-46.6	14.3	-23.8
PBT	132.2	170.2	-22.3	198.7	-33.5
Taxes	41.8	47.2	-11.4	-45.7	-191.5
Adjusted PAT	90.4	123.0	-26.5	153.0	-40.9
Adj. EPS (Rs.)	39.3	53.5	-26.5	66.5	-40.9
Margins			**BPS**		**BPS**
OPM %	18.5	23.2	-469	26.3	-786
Adj PAT Margins (%)	13.1	17.1	-393	20.3	-714
Tax Rate (%)	31.6	27.7	389	-23.0	5,462

2. UltraTech Cement Ltd.

Industry	Reco/View	CMP	Price Target
Cement	Buy	Rs. 6,571	Rs. 9,200

Shree Varahi Scrip Code	ULTRACEMCO
BSE Code	532538
NSE Code	ULTRACEMCO
Market Cap (Rs cr)	1,89,673
NSE volume: (No of shares)	5.9 laksh
Free float: (No of shares)	11.6 Cr
52 Week High (Rs)	8,267
52 Week Low (Rs)	5,728

Share Holding Pattern %	
Promoters	60.0
FII	15.7
DII	15.3
Others	9.0

Our Take…

UltraTech Cement (UltraTech) is expected to benefit from healthy cement demand (cement transported through rail up 4% y-o-y, 13% m-o-m in January despite Omicron impact during first half) and revival in cement prices in February 2022 (led by South and East). As per our channel checks, average pan-India cement prices in Jan-Feb 2022 have risen by 6% y-o-y. The average cement prices in South and East were up 10% m-o-m and 17% m-o-m during February 2022. On the cost front, international and domestic pet coke prices during Jan-Feb 2022 have declined by 11% and 18% compared to Q3FY2022. The retail diesel prices during the same period are lower by 3%. However, the recent hike in crude prices due to Russia's invasion on Ukraine post near term headwind. The industry might have to take incremental price hike in case the above costs start to inch up.

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Valuations…

Maintain Buy with an unchanged PT of Rs. 9,200: UltraTech is expected to benefit from healthy cement demand over the long term, driven by its timely capacity expansion plans. The demand environment is expected to be strong from segments such as infrastructure, rural housing, and urban housing. Easing of power and fuel costs along with expectation of price hikes is likely to maintain healthy operational profitability. We believe the company's capacity expansion coupled with de-leveraging of balance sheet over the next three years is expected to drive earnings over FY2022-FY2024. We continue to maintain our Buy rating on the stock with an unchanged price target (PT) of Rs. 9,200.

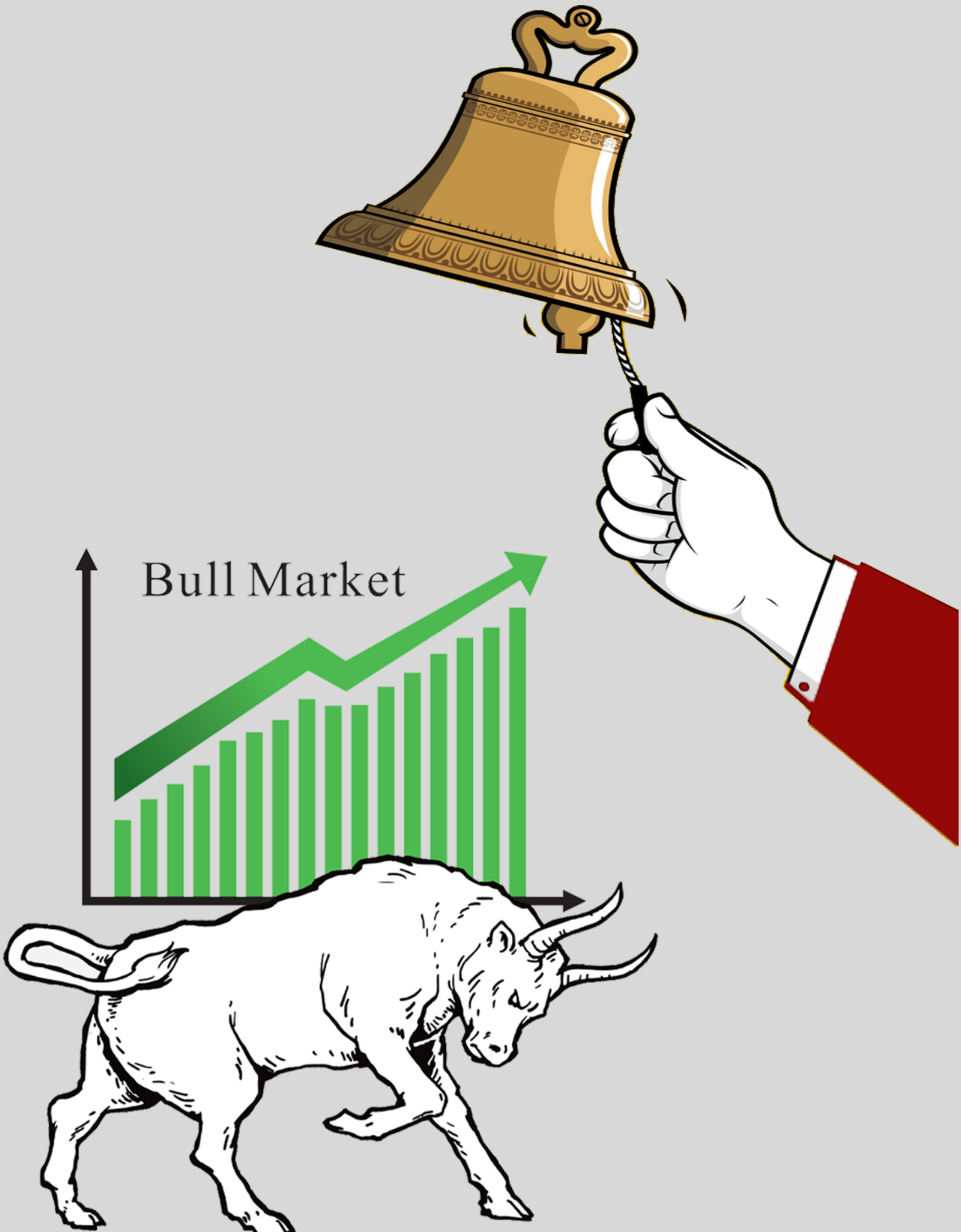
Valuation (Standalone)

Particulars	FY21	FY22E	FY23E	FY24E
Revenue	43,188	51,568	57,916	66,134
OPM (%)	27.2%	23.8%	24.5%	24.7%
Adjusted PAT	5,457	6,058	7,416	8,873
% YoY growth	49.4%	11.0%	22.4%	19.6%
Adjusted EPS (Rs.)	189.1	209.9	257.0	307.4
P/E (x)	34.8	31.3	25.6	21.4
P/B (x)	4.4	3.9	3.4	2.9
EV/EBITDA (x)	17.1	15.9	13.2	10.8
RoNW (%)	13.4%	13.1%	14.1%	14.7%
RoCE (%)	10.8%	11.0%	12.6%	13.6%

Peer Comparison

Particulars	P/E (x)		EV/EBITDA (x)		P/BV (x)		RoE (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
UltraTech Cement	25.6	21.4	13.2	10.8	3.4	2.9	14.1	14.7
Shree Cement	29.6	25.5	15.4	12.9	4.4	3.8	15.9	16.0
The Ramco Cement	22.0	19.9	13.5	12.2	2.6	2.3	12.2	12.2
Dalmia Bharat	27.4	21.4	10.1	8.5	2.0	1.9	7.7	9.1

This Might Impact Your Investments !!



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Bear trapped: Putin's gambit can wreck Russia's economy. It's a lesson for other adventurers

Vladimir Vladimirovich Putin is a Russian nationalist. Even his critics will grant him that. Therefore, it's ironic that in a space of ten days his decisions have brought Russia to the brink of an abyss. Not even in the most chaotic phase of Boris Yeltsin, his predecessor as president, had the country's future looked so bleak. Even if Russia achieves its immediate military objectives in Ukraine, the victory will be pyrrhic. It's economically severely damaged and its invasion of Ukraine provides Nato with a new lease of life.

Russia's strategic aims were to be undergirded by its 'fortress balance sheet' – around $640 billion in foreign exchange reserves and gold. A break-up of this balance sheet by the Institute of International Finance (IIF) showed that it was based on one key assumption. Russia's response to US sanctions after its annexation of Crimea in 2014 has been to partially switch its holdings of US dollars to gold and renminbi. The weakness in this assumption is that any Russian action that invited a forceful combined response of the US, EU, UK and Japan put almost 70% of this balance sheet at risk.

The worst case scenario unfolded on February 28, when additional sanctions by the US and its allies immobilised a large part of the Bank of Russia's assets. The Western response is working through the Russian central bank's balance sheet to destabilise the financial system. A hobbled central bank more than doubled its policy rate to 20% to make deposits attractive and prevent a run on banks. Simultaneously, the collapse of the ruble required it to compel Russian enterprises to sell 80% of their export revenues. Russia's economy has to now largely rely on domestic savings raised at abnormal interest rates as households hold 21% of their deposits in currently inaccessible foreign currency. The high interest rate scenario and a collapse of confidence will severely undermine the economy.There's a carve-out for energy industries from severe sanctions to help Europe. It may not last long and Russia's hydrocarbon fields will be deprived of critical investment.

Fighting in Kharkiv has tragically claimed the life of a trapped Indian student. GoI will rightly prioritise evacuating Indian nationals from Ukraine. However, long-run issues are the risks of depending on arms, civil nuclear assets and space technology from a country that's facing sanctions. This is, as these columns and others have noted, a wake-up call for India to wean itself off the Russia dependency.

Sebi 2.0: Madhabi Buch takes charge of market regulator when it needs to adapt to big changes

Madhabi Puri Buch yesterday took charge as the ninth chairperson of the capital market regulator Sebi after it got statutory status. What makes her unique is her rich financial market experience. So far, Sebi has been led largely by bureaucrats. On the cusp of its fourth decade, Sebi needs to reorient its priorities to a world that is very different from the one in which it got statutory status in 1992. The phase of building market infrastructure, taming brokers and setting up systems is over. The priority now is to make sure that all the regulated entities play by the rules.

Financial markets are complex and rapidly evolving on the heels of advances in communications technology. The criticality of data made market intermediaries among the early adopters of artificial intelligence. In this backdrop, one of the challenges Buch will have to deal with is upgrading the skills of Sebi staffers to meet the needs of a changing environment. Many of Sebi's brighter and younger recruits don't stay long enough. The regulator should consider lateral entry from finance firms, like many Western regulators do. One area that could do with sharper focus is Sebi's investigation skills. The regulator is often pulled up by the Securities Appellate Tribunal for shoddy work or worse. For example, in December the regulator was rapped for sending a show cause notice 12 years after an alleged incident.

Sebi's effort in dealing with NSE's co-location problem made finance minister Nirmala Sitharaman remark that GoI is examining if the regulator took necessary punitive action. Separately, a tardy pace of investigations against prominent companies makes for poor optics. Buch was a whole-time member of Sebi between April 2017 and October 2021. The experience with both the regulator and financial market puts her in a position to look at ways in which Sebi can sharpen its focus both on technical and investigative skills.

Fuelling uncertainty: Immediate economic fallout of Ukraine conflict & sanctions may not be severe. But it's challenging

As fighting continued in Ukraine for the fourth day following Russia's invasion, the contours of the economic fallout on India are beginning to emerge. The impact is likely to be felt through two channels. The immediate hit has come through a surge in crude oil price. On February 24, the Indian basket breached the psychologically important barrier of $100/barrel. This will feed into inflation and keep it at an elevated level. In addition, another impact on India's retail inflation is likely to be felt in cooking oil prices as Ukraine and Russia together dominate sunflower oil exports.

RBI's challenge is unlikely to be limited to dealing with inflation. The economic disruption caused by the conflict and its fallout will lead to a churn in international financial markets as investors rebalance portfolios to account for changes in risk. Finance minister Nirmala Sitharaman has indicated that the current conflict will challenge India's development. Elevated oil prices undo a crucial budget assumption of average oil price between $70-75. However, with indications from both Russia and Ukraine that they are open to talks, the portents are not all negative.

The conflict comes at a time when private consumption remains weak and global supply chain disruptions have pushed up prices of key intermediates in manufacturing. This unusual situation calls for an immediate reduction in GoI's retail fuel taxes. Western response to Russia is taking the form of economic sanctions. Two overarching aims of the sanctions are to impose financial costs on Russia and squeeze its economic base. Among the tools to be used are the ejection of select Russian banks from the SWIFT payment system, which handles international payments networks. These sanctions are unlikely to have a significant impact on India. India's hydrocarbon imports are largely from West Asia. Russia, however, is India's most important arms supplier. Here, the two sides have been working on strengthening the system of settling mutual payments in national currencies.

In the medium-term, India's dependence on Russian arms poses a geopolitical risk. According to Stockholm International Peace Research Institute, India's indicative arms imports during 2010-20 from Russia was $22.6 billion, around 63% of our total arms imports. Lessening this dependence has to be a priority. On balance, the initial impact of the conflict and subsequent developments may not be severe. However, India's fiscal and monetary policies will have to be in sync to manage price pressure without weakening drivers of economic growth.

Slash fuel taxes: GoI has fiscal cushion. Inflation needs to be fought and consumption, supported

Soon after the geopolitical situation in Ukraine worsened, the Indian basket of crude touched $97 a barrel. The effect will be felt in days to come. On paper, India shifted to daily pricing of petrol and diesel in 2017. However, there's a price inertia as elections approach. Consequently, retail fuel prices will start rising in March to compensate for weeks of stasis. This, when private consumption hasn't caught up to pre-pandemic level. Therefore, GoI should reduce its fuel taxes immediately to offset the impact of the recent increase in the cost of crude. Doing so will synchronise fiscal policy to an evolving global scenario.

The period between 2014-15 and 2020-21 was marked by a moderation in the price of crude oil. GoI used that phase to increase fuel taxes, thereby, capturing most of the benefits. Between FY-15 and FY-21 GoI collected about Rs 16.7 lakh crore through excise duty on petroleum products. Moreover, most of it was retained by GoI as an increasing proportion of the duty was reclassified as cess to keep it out of the divisible pool that is shared with states. Therefore, it's GoI that today has the fiscal cushion to lower fuel taxes and hold up private consumption.

The economic recovery over the last few quarters has been uneven. Contact-intensive sectors haven't fully recovered and employment data points to a relative increase in the proportion of jobs in the informal sector. In India, around 80 of every 100 passenger vehicles sold are entry-level two-wheelers, running on petrol. Therefore, fuel price increases take a toll on a vulnerable segment of the population that is already feeling the pinch of elevated inflation in articles other than food and fuel. A reallocation of household budgets to deal with higher fuel prices will keep consumption weak and undermine an important premise of a growth-oriented Budget.

GoI did well in November to lower taxes on petrol and diesel by Rs 5 and Rs 10 respectively. But it remains high at Rs 27.9 for petrol and Rs 21.8 for diesel. There's room to reduce them further as the Budget was conservative in revenue estimates. Gross tax collection for FY-23 is expected to increase by 9.6% to Rs 27.6 lakh crore, a level lower than the 11.1% growth in nominal GDP which is the foundation of the Budget. That prudence has now left GoI with the space to slash fuel taxes and insulate the economy from Ukraine's impact on energy markets.

Russian roulette: Putin breaks global norms. But economic costs of any further escalation will be big for everyone

Russian President Vladimir Putin's decision to recognise the independence of two separatist areas of Ukraine's eastern Donbass region – Donetsk and Luhansk – has ratcheted up tensions in Europe and set a dangerous precedent. Russian-speaking Donetsk and Luhansk have been under de facto separatist control since 2014 when conflict in the Donbass first erupted. But with his latest move and by ordering Russian troops into Donbass for "peace-keeping", Putin has thrown down another gauntlet. The US and EU have responded with targeted sanctions, focussing on the two Ukraine areas and Russian officials. Germany has halted the certification process of the Nord Stream 2 pipeline that would have doubled Russian gas exports to Berlin.

But indications are that the West may be willing to live with Russia's de facto annexation of Donetsk and Luhansk. After all, the Ukrainian government had itself declared the two areas as occupied. And targeted sanctions would serve as a face-saver for Nato while not bludgeoning the Russian economy altogether. This is a delicate balance. What if Putin is emboldened to further salami-slice? But, even then, holding off now on further actions and sanctions is in everyone's interest. A return to a Cold-War-like situation doesn't help Europe, as it will disrupt energy supplies and economic activity. If the Nord Stream 2 pipeline is junked altogether, EU would need to find alternative sources to meet its energy needs. Escalation doesn't help the rest of the world as oil prices are already touching $100, and most major economies, India included, are facing high inflation and national economies are just about recovering from the pandemic.

Obviously, reducing the trust deficit between the US-led West and Russia is the only way to ensure Moscow doesn't manufacture crises in the future to further its strategic goals. But the two sides remain too far apart today. The US is unlikely to accept Russia's not entirely invalid point that Nato expansion threatens its security.

For India, with historical ties with Russia and growing ties with the US and facing a huge threat from China, it's a tough spot to be in. Hitherto New Delhi has rightly taken a neutral approach to the Ukraine crisis. But should Russia escalate things further, it would test India's sacrosanct position on championing national territorial integrity. Can you stay neutral on Russia going further into Ukraine if you want the world to be with you on China's expansionism? New Delhi will be hoping hard that there's no escalation.

GDP numbers lend a hand to push growth

Data released by the National Statistical Office (NSO) show India's gross domestic product (GDP) grew by 5.4% in the October-December quarter of 2021-22, accelerating from 0.7% in the corresponding period of the previous year. The NSO has trimmed its full-year growth forecast in its second advance estimates of national accounts to 8.9% growth in 2021-22, from the 9.2% it had projected in January, mainly because the economic contraction a year ago was less intense. The loss of momentum was marked during the third quarter when growth slowed down appreciably from 20.3% and 8.5% in the prior two quarters as the base effect of an economy under the Covid-19 pandemic-induced lockdowns wore off.

The sequential deceleration was broad-based with gross value added (GVA) in manufacturing stalling and construction, with its linkage to employment especially for the lower end of the pyramid, contracting. The projection for the full year, however, sees these two segments posting smart recoveries. Agriculture lost steam from the same quarter a year ago, as did financial services. But contact-based services posted a turnaround from a virtual shutdown during Covid restrictions. Private consumption maintained its growth trend as front-loaded government expenditure eased off. The investment momentum was lower during the quarter. But it has held up over the first three quarters of 2021-22. The trade picture is positive overall for the nine months, with imports outpacing exports.

The estimates for the full year suggest the growth slowdown will persist in the fourth quarter, validating the policy response underlined in the Union budget to target it over inflation. That position has changed appreciably as pandemic-induced restrictions are lifted but the world deals with an oil shock. Tweaking policy to deal with energy inflation could have an effect on India's growth prospects. With buoyant trends in the government's revenues and spending, and an upward revision in the nominal GDP growth rate, the fiscal deficit could show up in better light.

Putin's oil and gas shock and awe

The odds of a global post-pandemic economic recovery have worsened with Brent crude oil prices expected to stay well above $100 a barrel after Russia's invasion of Ukraine, and US-led Western countries threatening Moscow with sanctions that could affect the latter's energy supplies. Fuel prices are cutting deep into American and European household budgets, and drawn out hostilities make both consumption and industrial revival less certain. Asia imports most of its energy, and could also be drawn into the maelstrom as central bankers face pressure to speed up the withdrawal of easy money. Oil and gas supply disruptions will feed into higher commodity prices and a flight to safety in capital markets.

The tightness in the spot energy market is expected to continue with Opec+ struggling with outages and US shale oil not having ramped up. Russia, on its part, has struggled with its enhanced oil production commitments and, at their most severe, sanctions could dent its gas supply to Europe. The world has enough oil capacity if Russia were shut out of the market. But it does not have enough gas. Bringing those oil capacities into play would require a stronger drive than Opec+ has shown till now on enhancing production quotas. At this elevated price level, private US producers are expected to raise output, and progress in talks over nuclear sanctions with Iran could, inshallah, bring in more supplies.

The oil shock will require Indian policymakers to revisit the growth-inflation dynamic that underlined this year's Union budget and the subsequent monetary policy review. The assumption was that inflation had peaked within the policy band, allowing for an expansionary fiscal position accompanied by easy liquidity. That flexibility is reducing with higher energy, commodity and credit costs jeopardising an anticipated upcycle in private investment. As investors shift to safe-haven assets such as US treasuries, emerging markets like India could very well end up paying a higher price for this latest crisis than they need to.

Thank

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