

Iran war set to hit output in sectors dependent on oil and gas: Crisil

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If the ongoing geopolitical uncertainties in the Middle East persist or escalate, sectors such as ceramics and fertilisers, which depend heavily on imported liquefied natural gas (LNG), could see near-term production impact, ratings agency CRISIL said today. Crude-linked sectors, such as oil refiners, tyres, paints, chemicals, flexible packaging and synthetic textiles could also be affected.

India imports 85 per cent of its crude oil and half of its LNG requirement. Of this, 40-50 per cent of crude oil and 50-60 per cent of LNG are shipped through the Strait of Hormuz. Most shipping vessels have stopped sailing on this route since March 1, 2026, and any prolonged disruption of the route will impact global crude oil and LNG availability, and their prices.

The price of Brent crude has

already surged to around \$82-84 per barrel from an average \$66-67 during January-February 2026. For Asian spot LNG, price has flared up from \$10 per MMBtu to \$24-25 per MMBtu.

"A further surge would widen India's current account deficit and stoke inflation. It will also impact India Inc's profits, given the critical role of energy across sectors," the ratings agency said in a report.

India also imports around two-third of its liquefied petroleum gas (LPG) with majority of it from the Middle East. LPG is primarily used towards household consumption with only around 10 per cent used as fuel in industries, limiting the impact on India Inc. India's direct trade with the Middle East is moderate, accounting for 15 per cent of total exports and 20 per cent of total imports in the first nine months of the current financial year.

Apart from crude oil and petroleum products, merchandise trade

with the Middle East consists of basmati rice, fertilisers, diamonds, and some capital goods and spices.

LNG imports account for around 40 per cent of the City Gas Distribution (CGD) sector's total demand and ongoing uncertainties can affect LNG supplies in the near term. The impact, however, would be primarily on the industrial segment, which is heavily reliant on imported gas and may experience a drop in sales volume because of supply constraints.

"Nevertheless, margins in this segment will be cushioned to some extent, as prices for most alternatives for customers are also linked to crude, which are also expected to see an uptick," the report said. For downstream oil refiners, a prolonged rise in oil prices would pressure their gross refining margins as higher input costs may not be fully or immediately passed through an increase in retail fuel prices.

On the flip side, the rise in oil price will benefit upstream oil companies because they translate to more revenue, while costs are fixed, CRISIL said.

