Raw (Material) Wounds likely to Deepen, Leave Cos Bleeding

Rising energy prices, freight charges to raise input costs, weigh on margins

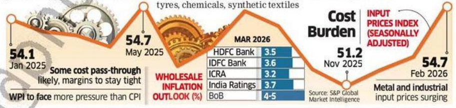
Anoushka Sawhney

New Delhi: Companies are set to face mounting cost pressures as the ongoing war between US-Israel and Iran disrupts supply chains and production, pushing up raw material prices in the months ahead.

Economists caution that rising energy costs and higher freight charges will add to inflationary pressures and squeeze margins in a wide range of sectors, including oil marketing companies (OMCs), fertilisers, ceramics and tiles, paints, tyres, chemicals, synthetic textiles and airlines.

Ranjan Sharma, senior director at CareEdge Ratings, noted that micro, small and medium enterprises are likely to be the most vulnerable to the conflict.

Petchem Exposure ▸▸ 9



WHOLESALE INFLATION OUTLOOK (%)

	MAR 2026
HDFC Bank	3.5
IDFC Bank	3.6
ICRA	3.2
India Ratings	3.7
BoB	4-5

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Data from S&P Global Market Intelligence show that the input price index (seasonally adjusted) rose to a 15-month high of 54.7 in February from 52.5 in January and 53.6 in February 2025.

A reading above 50 indicates expansion. "Going forward, rising costs of petrochemical-linked commodities, higher shipping and logistics costs and insurance premiums, and the weakening rupee will raise input costs across most domestic industries ranging from processed food and hospitality to textiles and automotive manufacturing," said Hanna Luchnikava-Schorsch, head of Asia-Pacific economics at S&P Global Market Intelligence.

Sakshi Gupta, principal economist at HDFC Bank, emphasised that sectors with a high dependence on petroleum and natural gas in their intermediate consumption will face the greatest cost pressures.

Sectors such as air transport (48.7%), trade (46.8%), auxiliary transport activities (27.7%), electricity (16.8%), land transport (16.5%), agriculture (10.3%) and manufacture of chemical and chemical products (9.5%) have a significant exposure to petroleum products in their intermediate inputs, according to FY22 data, the latest available.

WPI UNDER PRESSURE

Higher energy prices are expected to have a stronger effect on the Wholesale Price Index (WPI) than on the Consumer Price Index, due to the higher weight of petroleum, natural gas — 10.4% against 4.8%.