

INDIAN CORPORATE SECTOR

**Global energy crisis heightens
uncertainties for India Inc.**

OCTOBER 2021



Highlights

The ongoing energy crisis across the globe, especially in China is likely to have a varied impact on India Inc. While some sectors are likely to face supply-chain disruptions, others may see improvement in demand prospects.

The situation in terms of the energy situation in India is evolving, and the impact on India Inc. would be dependent on how the situation pans out, and what measures are taken to address it.



- Globally, many regions are undergoing an energy crisis, largely on account of faster-than-expected demand recovery post the pandemic, coupled with more stringent climate goals. Prices of key fuels such as coal, natural gas and crude oil have spiked, further amplified by shortages of coal and natural gas.



- The energy crisis has been more severe in China, where the Government has resorted to power rationing for industries in order to preserve its coal reserves as well as meet its decarbonisation targets.



- The resultant production disruptions have also percolated to India, wherein sectors like pharmaceuticals, solar power etc. with high dependence on China for sourcing of raw material have started facing supply-chain disruptions. However, for certain other sectors like Apparels and Steel, it opens up additional export avenues for Indian companies, although India's ability to benefit from this would remain contingent on how the domestic power situation pans out.



- Apart from supply-chain disruptions emanating from reliance on China, the ongoing coal shortage and rising energy costs is likely to have inflationary impact on companies in sectors with high-energy intensity such as Fertilizers, Cement, Ceramic Tiles and Glass, among others.



- These sectors have a high dependence on coal or natural gas, which have witnessed sharp surge in global prices over the past few months. Companies with relatively better pricing flexibility to pass on these higher input costs would be relatively insulated, while for others, margins would erode in an otherwise improving demand environment.



- While these issues are expected to be transient in nature, a protracted period of energy constraints, if any, can induce changes in underlying dynamics of certain sectors.

Agenda

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The Global Energy Crisis



2

Sector-wise impact of the Energy Crisis on India Inc.



3

Outlook



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