

West Asia Conflict Impact on Indian Industries

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West Asia Conflict Latest News

- The ongoing conflict in West Asia may disrupt the supply of critical industrial inputs to India, affecting sectors beyond oil and gas.
- Industries such as steel, fertilisers, cement and power transmission depend heavily on raw materials imported from the region.
- Key imports include **limestone, sulphur, gypsum, direct reduced iron (DRI)** and **copper wires**, with more than half of India's imports of these commodities coming from West Asia.
- The region — including the Gulf Cooperation Council countries and other West Asian economies — is an important trade partner for India. In 2025, India imported goods worth \$98.7 billion from the region.
- Escalating attacks on energy and logistics facilities and the potential closure of the Strait of Hormuz, a vital global trade route, have increased fears of supply disruptions. Any disturbance in this region could therefore affect multiple Indian industries beyond the energy sector.

Impact of West Asia Conflict Beyond the Energy Sector

- West Asia is a major global supplier of oil and gas, making global energy markets highly sensitive to regional conflicts.
- With crude stocks expected to last about a month, Indian refiners have begun increasing imports of discounted Russian oil.
- Gas companies are also considering curbing industrial gas supplies if LNG shipments from Qatar are disrupted.

Risk to Fertiliser, Manufacturing and Exports

- If disruptions in shipping through the **Strait of Hormuz** persist, the impact could extend beyond energy markets.
- According to the GTRI report, sectors such as fertilisers, manufacturing inputs, construction materials, and export industries like diamonds could face supply challenges.

Construction Sector Vulnerability

- India relies heavily on West Asia for key minerals used in construction.
- **Limestone:** India imported \$483 million, accounting for 68.5% of total imports. It is a crucial input for cement production.
- **Gypsum:** Imports were \$129 million, making up 62.1% of total imports, and it is widely used in cement and construction materials.
- Supply disruptions could increase cement prices and delay infrastructure projects.

Risks to Fertiliser and Steel Industries

- **Sulphur:** India imported \$420 million worth from West Asia, representing 65.8% of imports. It is used to produce sulphuric acid, essential for fertilisers and chemicals.
- **Direct Reduced Iron (DRI):** Imports of \$190 million (59.1% of total imports) are critical for steel production.

Impact on Diamond Processing

- India's diamond processing industry could also be affected.
- Over 40% of rough diamonds used in India's cutting and polishing centres are imported from West Asia, making the sector vulnerable to supply disruptions.

Energy Stress on the Steel Sector

- Experts note that while alternative sources exist for some raw materials, the bigger challenge is rising and volatile energy prices.
- The ongoing conflict in West Asia could push up oil and gas prices, affecting industrial costs.

Availability of Alternative Raw Materials

- Inputs such as limestone and direct reduced iron (DRI) can be sourced from other countries if supplies from West Asia are disrupted.
 - Limestone: Alternatives include Thailand and Vietnam.
 - DRI: Potential suppliers include Libya and Malaysia.
- However, these alternatives do not solve the issue of energy price fluctuations.

Steel Industry's Dependence on Gas

- India's steel industry increasingly relies on natural gas (LPG and LNG) as part of its decarbonisation strategy.
- This dependence makes the sector vulnerable to global gas market disruptions.
- Industry representatives warn that availability of gas and scrap has already become a concern for steel producers.

Possible Impact on the Fertiliser Sector

- The fertiliser sector may not face immediate disruption because it is currently the off-season for fertiliser demand.
- However, prolonged disruption of LNG and sulphur supplies could affect domestic urea production and availability for the next agricultural season.
- To reduce risks, the fertiliser industry is exploring alternative suppliers, particularly in Southeast Asia, for inputs such as sulphur.

Source: IE

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