India's Economic Resilience

Navigating the Hormuz Crisis

Pranay Kotasthane

Takshashila Institution

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Roadmap

1. **India 2026 is not India 2013**: the macro armour is real
2. **Asymmetric exposure**: oil at 40%, LPG at 90%
3. **The government's toolkit**: tax, diplomacy, diversification, and the gaps
4. **Crisis as accelerator**: energy transition was already underway
5. **The long-term bet hasn't changed**: why pension funds should stay
6. **Your India operations**: five things to do this quarter

"From Fragile Five to Fundamentally Different"

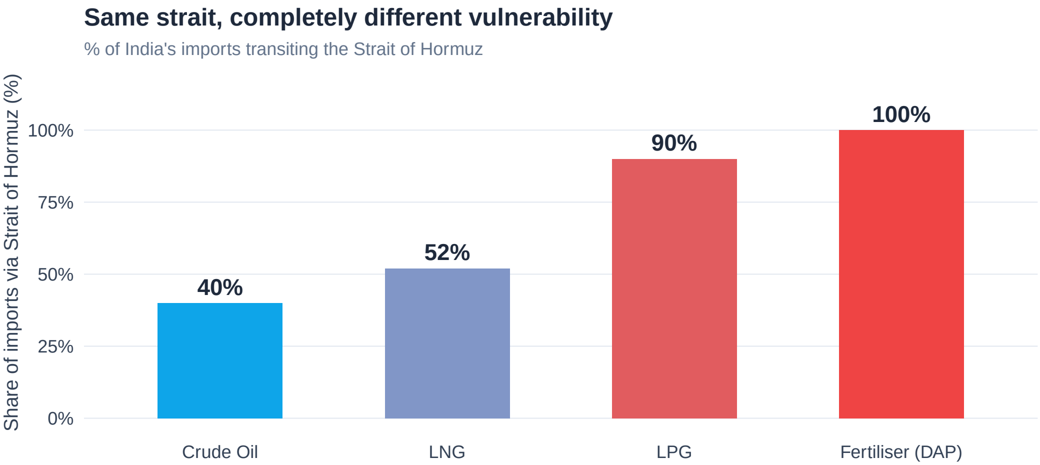
Indicator	2013	2026
Forex Reserves	$275 bn	**$682 bn**
Current Account Deficit (% GDP)	4.8%	~**1.2%***
CPI Inflation	~10%	**3.5%**
Fiscal Deficit (% GDP)	4.9%*	~**4.5%**
GDP Growth	5.5%	**6.6%**
Crude Import Sources	27 countries	**40+ countries**

*Pre-crisis estimate. Likely higher with oil above $100, but structurally far below 2013.

Rule of Thumb

- **Every \$15/barrel increase in oil costs India ~1% of GDP** (Neelkanth Mishra, Chief Economist, Axis Bank)
  - At \$100+ oil, that's roughly a 1% hit. Painful but absorbable at 6.6% growth
- India has **surplus refining capacity**
  - When global diesel margins spiked from \$20 to \$50/barrel, India's domestic oil marketing companies absorbed it internally
  - Lower fuel price hikes than other countries. Structural buffer most don't know about
- RBI cut growth forecast from 6.9% to 6.6%
  - But 6.6% is still the fastest-growing large economy
  - The point is not that India is affected but it has room to absorb

India's Hormuz Dependence by Commodity



The Storage Gap

- **Strategic Oil Reserve: ~5 days** (3.37 MT stored / 5.33 MT capacity)
  - IEA standard is 90 days
- **LPG Storage: ~2 days** (140K tonnes vs ~90K tonnes/day consumption)
  - LPG consumption doubled from 15 MMT (2012) to 31 MMT (2025) under Ujjwala
  - Storage infrastructure didn't keep pace — classic Indian state pattern
- **Total crude + commercial: ~69 days** (per Petroleum Minister, March 2026)

Financial Stabilisation

"When capital leaves, there is scope for tax code changes."

- FII tax exemption on G-Secs (June 5 ordinance)
  - India is a global outlier — Brazil, Taiwan, Korea, Singapore, HK all tax at zero or near-zero (Takshashila, Manur)
- Expanded Fully Accessible Route for 15/30/40-year bonds
- Concessional forex swap facility until September 2026
- Rs. 2.6 lakh cr equity outflow absorbed by domestic institutions
  - But risk has shifted from diversified global capital to Indian households (credit-deposit ratio at 82%, highest in 61 years)

Source: Takshashila Policy Brief on Taxing Mobile Capital (Manur, May 2026).

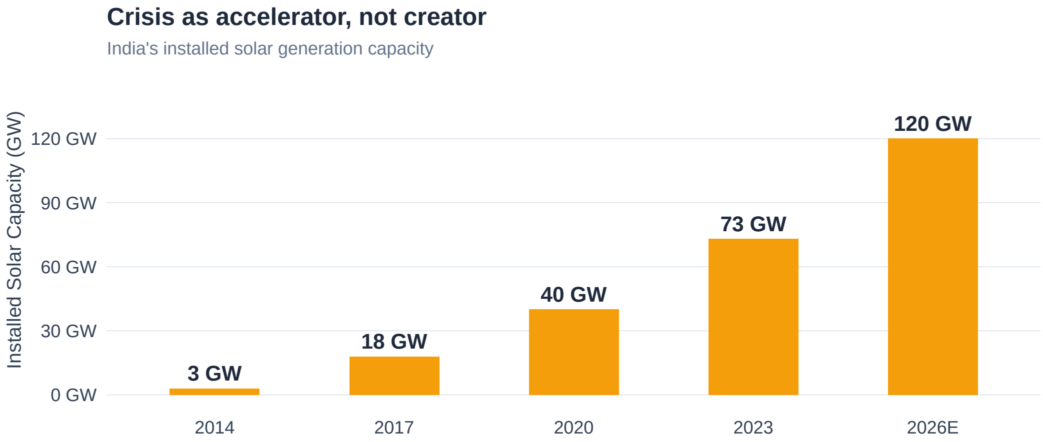
Energy Supply & Demand Management

Supply side:

- Import sources diversified from 27 to 40+ countries
- Russia now ~20% of crude — key value is **non-Hormuz route**, not price discount
  - Net discount only $2-3/barrel after rerouting costs (Mishra)
- Inter-Ministerial Group operational since March 3; Seven empowered groups for long-term impact

Demand side: - Price rises - PM's WFH advisory for IT/services sector - Commercial LPG supply cut 30–50% last month — restaurant closures, limited menus in major cities - Airlines: fare caps removed, fuel surcharge enabled - ATF taxes are *ad valorem* — they amplify price spikes instead of cushioning them (Takshashila Airlines paper)

India's Solar Capacity: 40x in 12 Years

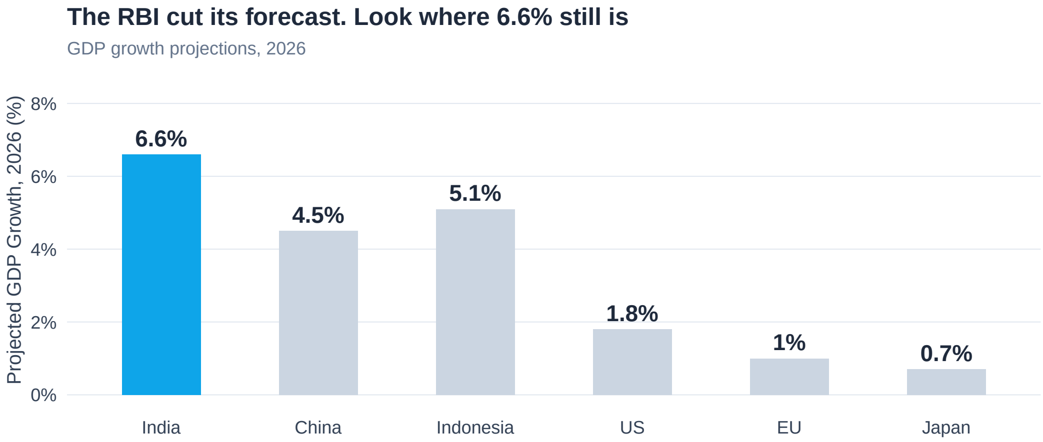


Already Underway Before Hormuz

- **Piped Natural Gas:** Expanding to 300+ cities under City Gas Distribution
- **Electric Two-Wheelers:** ~10% of new scooter sales now electric
- **EV Policy:** PM e-DRIVE scheme for charging infrastructure
- **Mundra VLCC Terminal:** India's first, launched January 2026 — reduces Hormuz dependence
- **Cooking transition:** LPG → PNG → electric induction is now a priority
- **Biofuels:** ethanol blending at 15%+

Hormuz accelerates policies **already in the pipeline** .

Even the Revised 6.6% Is the Fastest Large Economy



Why Institutional Investors Should Stay

The structural case:

- Demographics: median age 28; 10 million new workers/year for the next decade
- Domestic demand: 1.4 billion consumers; not export-dependent
- Digitisation: UPI at 14+ billion transactions/month; formalisation accelerating
- Investment cycle driven by real estate + power generation capex, not government stimulus

The FII exodus in context (Manur; Mishra):

- EM funds broadly underperforming → asset allocators withdrawing across the board
- End of "TINA" (There Is No Alternative) — China, Brazil investable again
- Rupee fall is a **liquidity** squeeze, not a **solvency** crisis
  - Actual BoP deficit: \$24 bn. RBI intervention: \$70 bn+. The gap is for plugging sudden outflows

The Compounding Arithmetic

For a pension fund with a 10–20 year horizon:

Economy	Avg. Growth	\$100 in 10 years	\$100 in 20 years
India (6.5%)	**6.5%**	**\$188**	**\$352**
China (4.0%)	4.0%	\$148	\$219
EU (1.5%)	1.5%	\$116	\$135

Five Actions for This Quarter

1. **Hedge your currency exposure** — rupee down ~7% YTD, but this is a liquidity squeeze, not solvency. Hedge volatility, not structural decline.
2. **Map your energy supply chain** — which fuels, which grid, what backup? Coal-dependent states are more insulated than gas-dependent ones.
3. **Use the WFH advisory strategically** — shifting non-essential staff to hybrid signals compliance and reduces energy use.
4. **Budget for higher travel costs** — airfares to Gulf and US up. India's *ad valorem* ATF tax amplifies spikes.

The Hormuz crisis is a reminder that energy security and technology partnerships are two sides of the same coin.

Pranay Kotasthane | pranay@takshashila.org.in

takshashila.org.in | publicpolicy.substack.com