



S.P. HINDUJA

BANQUE PRIVÉE

# India House View

June 2026



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# Thoughts of the CEO

“Navigating Global Volatility and Domestic Momentum”

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As we navigate an evolving macroeconomic landscape, our priority is to provide you with clarity at the intersection of complex global geopolitics and shifting domestic politics.

While assessing the trajectory of Indian stocks amidst current geopolitical volatility, we recognize that the macroeconomic impact operates primarily through crude oil prices, supply chain logistics in the Strait of Hormuz and Red Sea, and currency valuation. Our strategic allocation requires two distinct postures depending on the conflict's duration. Should the conflict reach a swift resolution within one to three months, we anticipate a rapid unwinding of the geopolitical risk premium, cooling crude oil prices, and a return of foreign institutional inflows. In this scenario of de-escalation, we advise aggressively pivoting toward margin-recovery and consumption plays, specifically targeting oil marketing companies, aviation, and financials to capture a fast economic rebound.

Conversely, a prolonged conflict dragging on for six to twelve months would likely keep crude oil prices elevated and disrupt global shipping, triggering a risk-off sentiment that pressures the Rupee. Under these conditions, the portfolio must pivot defensively. We favor export-oriented sectors like IT and Pharmaceuticals to provide a natural hedge against currency depreciation, while adding upstream oil and defense to capitalize on the direct impacts of the war and the structural momentum for domestic self-reliance.

Domestically, the May 2026 state assembly elections have delivered a major political realignment that serves as a powerful catalyst for the Indian markets. The Bharatiya Janata Party has secured a sweeping, first-time victory in West Bengal, capturing 206 of 294 seats and consolidating its political capital after unseating the Trinamool Congress's 15-year rule. For investors, this "double-engine" alignment within a massive eastern economy is being viewed as a strong bullish signal that will likely inject fresh momentum into broader market indices. We anticipate a renewed push to industrialize West Bengal, alongside smoother execution of

central infrastructure projects and the unlocking of frozen funds.

While the southern states experienced significant political churn, the results in Assam reinforce policy continuity in the Northeast. Crucially, these massive victories in the East and North signal a return of political momentum for the ruling party following the 2024 general elections. This reassures foreign and domestic institutional investors that the government retains the political capital required to push through tough, long-term economic reforms. Consequently, we expect heightened investor interest in infrastructure, capital goods, central public sector undertakings, and logistics networks.

At S.P. Hinduja Banque Privée, our commitment is to offer you the reliability of Swiss regulatory oversight alongside specialized access to high-growth markets. We will continue to build creative solutions that advance your portfolios safely through these dual forces of domestic consolidation and global change.

Yours sincerely,

Fabrice d'Erm





## India Strategic Equity Allocation: Navigating US-Iran Conflict Scenarios

In assessing the trajectory of Indian stocks amidst geopolitical volatility, the duration of the conflict dictates very different macroeconomic realities. A swift resolution demands an aggressive pivot toward margin-recovery and consumption plays, whereas a prolonged conflict necessitates a defensive posture favoring structural domestic themes and currency-hedged earners.

The macroeconomic impact of a US-Iran conflict on the Indian equity market operates primarily through three channels: crude oil prices, supply chain logistics (such as the Strait of Hormuz and Red Sea shipping routes), and currency valuation (INR vs. USD).

Here is an analysis and stock strategy for two scenarios:

### Scenario 1: The Conflict Reaches an End in 1-3 Months (De-escalation)

A quick resolution would lead to a rapid unwinding of the "geopolitical risk premium." Crude oil prices would cool off, safe-haven assets (like Gold and the US Dollar) would retreat, and global risk-on sentiment would return, prompting Foreign Institutional Investor (FII) inflows back into emerging markets like India.

In this scenario, market performance would be driven by several supportive factors:

- **Easing Inflation:** A drop in crude oil prices directly lowers India's import bill and tames imported inflation.
- **Margin Expansion:** Companies using crude derivatives as raw materials will see immediate margin improvements.
- **Interest Rate Optimism:** With inflation fears subsiding, the Reserve Bank of India (RBI) retains flexibility for accommodative monetary policy.

#### Top Stock Themes & Picks

##### 1. Oil Marketing Companies (OMC) & Crude Derivatives

Stocks: Asian Paints (Paints), Pidilite Industries (Adhesives), HPCL / BPCL (OMCs)

Paint and adhesive companies use crude oil derivatives for a significant portion of their raw materials. A drop in crude expands their gross margins. OMCs benefit from normalized marketing margins as they no longer have to absorb the shock of elevated international oil prices.

##### 2. Aviation & Logistics

Stocks: InterGlobe Aviation (IndiGo)

Aviation Turbine Fuel (ATF) makes up roughly 40% of an airline's operating costs. A sharp drop in oil prices immediately boosts profitability, while a normalized geopolitical environment keeps international travel demand robust.

##### 3. Financials & Broad Market Proxies

Stocks: HDFC Bank, ICICI Bank

Banks act as a proxy for the broader Indian economy. A return of FII inflows typically targets large-cap, liquid financials first. Furthermore, lower inflation supports steady credit growth and stable net interest margins.

**Table 1: Stocks in the Conflict Resolution Scenario**

Stock	Down from 52w high (%)
Asian Paints Ltd	-18.8
Pidilite Industries Ltd	-15.6
Hindustan Petroleum	-27.9
Bharat Petroleum Corp	-20.8
InterGlobe Aviation Ltd	-25.6
HDFC Bank Ltd	-20.6
ICICI Bank Ltd	-10.1

Source: Bloomberg





## Scenario 2: The Conflict Drags on for 6-12 Months (Prolonged Escalation)

A prolonged conflict involving the US and Iran would likely keep crude oil prices elevated (potentially pushing well past USD100/bbl) and disrupt global shipping. This scenario triggers "risk-off" sentiment, leading to FII outflows, a widening Current Account Deficit (CAD) for India, and a depreciating Rupee.

The benefits for Indian markets would be transmitted through several key channels

- **Imported Inflation:** India imports over 80% of its crude oil requirements. Sustained high prices will weigh heavily on the macro economy.
- **Rupee Depreciation:** A wider CAD and FII flight to safe havens will pressure the INR.
- **Margin Contraction:** Consumer goods, autos, and manufacturing will face input cost pressures and increased freight costs.

### Top Stock Themes & Picks

#### 1. Upstream Oil & Gas / Refining

Stocks: ONGC, Oil India, Reliance Industries

Upstream exploration companies like ONGC directly benefit from higher global crude realizations. Reliance Industries, with its massive refining complexity, typically benefits from elevated Gross Refining Margins (GRMs) during periods of global supply constraint and middle-distillate shortages.

#### 2. IT Services (The Classic Defensive)

Stocks: Tata Consultancy Services (TCS), Infosys

The IT sector is a classic defensive play during domestic market turbulence. Because they earn the vast majority of their revenue in US Dollars, they are direct beneficiaries of a depreciating Rupee, which provides a natural hedge to the portfolio.

#### 3. Pharmaceuticals

Stocks: Sun Pharmaceuticals, Cipla

Like IT, Pharma is a defensive sector with high export exposure to the US market, benefiting from INR

depreciation. Healthcare demand remains inelastic regardless of geopolitical strife, offering stable cash flows.

#### 4. Defence & Aerospace

Stocks: Hindustan Aeronautics Ltd (HAL), Bharat Electronics Ltd (BEL)

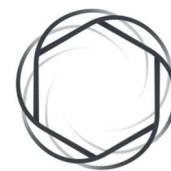
Prolonged global conflicts inherently drive up the premium on defense stocks. While they are domestic-focused, the narrative of self-reliance (Aatmanirbhar Bharat) and the modernization of the armed forces gain massive structural momentum during periods of heightened global insecurity.

Table 2: Stocks in the Prolonged Conflict Scenario

Stock	Down from 52w high (%)
Oil & Natural Gas Corp	-1.9
Oil India Ltd	-11.6
Reliance Industries Ltd	-16.6
Infosys Ltd	-24.5
Tata Consultancy Services	-28.6
Sun Pharmaceutical	-8.4
Cipla Ltd/India	-26.7
Hindustan Aeronautics	-17.9
Bharat Electronics Ltd	-5.4

Source: Bloomberg





## May 2026 state assembly election results: Implications for investors

The May 2026 state assembly elections have delivered a major political realignment, most notably the Bharatiya Janata Party (BJP) securing a sweeping, first-time victory in West Bengal. By capturing 206 out of 294 seats and unseating the Trinamool Congress (TMC) after its 15-year rule, the BJP has consolidated its political capital. For investors, this "double-engine" alignment (the same party ruling the center and the state) in a massive eastern economy like West Bengal is being viewed as a strong bullish signal, likely injecting fresh momentum into broader market indices.

### The Bengal Verdict: A Catalyst for Market Bulls

The West Bengal outcome is the centerpiece of this election cycle for the markets. The election results reinforce several structural themes that are increasingly relevant for global asset allocators evaluating India as a long-term investment destination. While state elections rarely alter the national economic trajectory on their own, the outcome, particularly in West Bengal, it strengthens the perception of political stability and policy continuity at a time when investors are seeking alternatives to China and other emerging markets facing geopolitical and macroeconomic challenges.

**Policy Alignment and Capital Expenditure:** For years, West Bengal has seen political and administrative friction with the central government. A BJP-led state government is expected to align closely with the Center's economic agenda. Investors anticipate smoother execution of central infrastructure projects, unlocking of frozen funds, and a potential acceleration in state-level capital expenditure.

**Strengthening of the India manufacturing and China+1 Narrative:** West Bengal occupies a strategic geographic position, serving as India's gateway to Eastern India, Bangladesh, Nepal, Bhutan, and Southeast Asia. A more investment-friendly administration could accelerate industrial development, logistics modernization, and export-oriented manufacturing in the region.

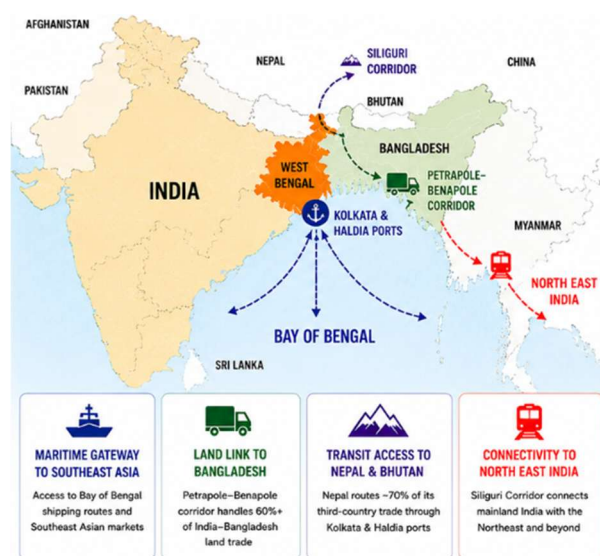
This would complement India's broader ambition to position itself as a key beneficiary of global supply chain diversification and the "China+1" strategy pursued by multinational corporations.

**Acceleration of Infrastructure Deployment:** One of the primary expectations following the election is faster execution of central government infrastructure programs. Investors have long viewed infrastructure implementation—not project announcements, as the critical determinant of economic impact.

Improved state-center alignment could unlock investments in:

- Roads and highways
- Rail freight corridors
- Urban infrastructure
- Ports and logistics hubs
- Industrial parks and manufacturing clusters

Figure 1: Bengal: India's Easter Trade Gateway



Source: Indian press sources





**Enhanced Attractiveness for Foreign Direct Investment:** Global corporations frequently cite administrative complexity, land acquisition challenges, and regulatory uncertainty as barriers to investment. A government with a strong electoral mandate is often better positioned to pursue reforms that improve the business environment and facilitate project approvals. If West Bengal successfully improves its investment climate, it could emerge as an alternative destination for foreign capital seeking access to India's large domestic market and export opportunities.

**Geopolitical and Strategic Significance:** From a geopolitical perspective, West Bengal's location on India's eastern border adds another dimension to the investment story. Greater emphasis on border management, connectivity, and regional trade integration could support economic development while enhancing India's strategic role in South Asia and the Bay of Bengal region.

This aligns with India's broader objective of strengthening economic ties with Southeast Asia through its "Act East" policy and expanding its influence within regional supply chains.

**Implications for Equity and Fixed Income Markets:** For equity investors, the results reinforce the narrative of political stability, continued infrastructure spending, and sustained economic reforms. Historically, markets have tended to reward periods of strong policy visibility and execution.

For fixed-income investors, stronger growth prospects combined with improved infrastructure investment could support medium-term economic expansion while maintaining confidence in India's fiscal consolidation path.

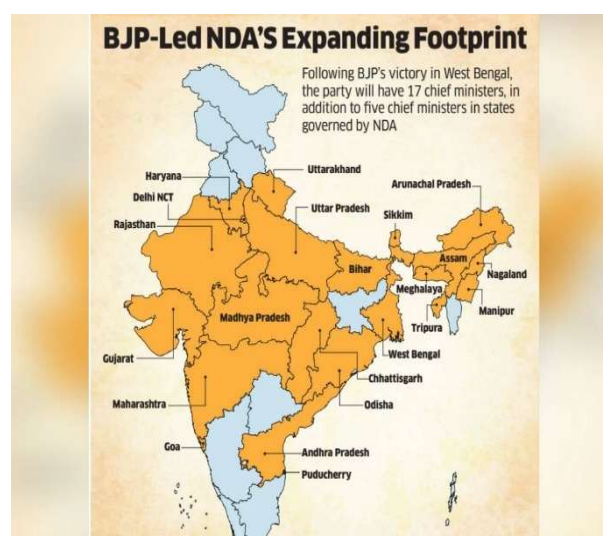
### Broader National Context: Reclaiming Political Momentum

While Bengal is the headline, the results in other states provide vital context for the national picture:

**Assam (Status Quo & Continuity):** The BJP retaining power for a third consecutive term (winning 82 out of 126 seats) reinforces policy continuity in the Northeast. This is highly favorable for sectors deeply invested in the region, such as tea, infrastructure, and oil & gas exploration.

**Tamil Nadu & Kerala (Southern Churn):** The southern states delivered significant upsets, with actor Vijay's TVK sweeping Tamil Nadu and the Congress-led UDF returning to power in Kerala. While these represent massive political shifts, southern states generally maintain a pro-business bureaucratic baseline regardless of the ruling party. However, these results confirm that the BJP's expansion is still primarily concentrated in the East and North, meaning regional political dynamics will remain complex.

Figure 2: Consolidation Post-2024:



Source: Economic Times

The central government lost its outright majority in the 2024 general elections, relying heavily on NDA allies. The massive victories in Bengal and Assam signal a return of political momentum for the BJP. This reassures foreign and domestic institutional investors that the government retains the political capital required to push through tough, long-term economic reforms.

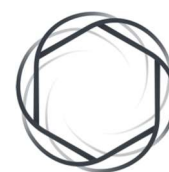


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### **Key Takeaway for Global Investors**

The significance of the 2026 state elections extends beyond electoral politics. The results reinforce the investment case for India as a politically stable, reform-oriented, and infrastructure-driven growth story. While execution risks remain, the increased alignment between key states and the central government could accelerate project implementation, improve investor confidence, and further strengthen India's position as one of the most attractive long-term opportunities within emerging markets.





## India Asset Allocation

Asset Class	Strategic Opinion	Tactical Opinion	Constituents	Most Preferred	Least Preferred	Commentary	June 2026
Cash	-	+				Building dry powder to deploy on further selloffs in risk assets. High cash levels serve as a tactical buffer to preserve capital while the market searches for a bottom amidst geopolitical instability.	
Fixed Income	=	+	<b>Segments</b>	Floating Rate Bonds		We focus on the 3-to-5 year duration; as the yield curve is relatively flat, this segment providing decent yields without the extreme volatility of long-dated paper. USD-denominated Indian bonds offer protection against the Rupee at record lows (~94/\$). We also like selective short-tenor (12-month) high-yield bonds where credit spreads are substantial.	
			<b>Duration</b>	3-to-5 Year Segment	Long-dated credit		
Equities	++	-	<b>Sectors</b>	PSU Banks Defensives (Staples, Healthcare) IT & Pharma (Exporters)	Consumer Discretionary	We take a modest Underweight stance, even as the Nifty valuation has cooled to 17.5x forward earnings (below 10-year average). India is a "net energy loser" in the current West Asia conflict. \$100+ Crude Oil price spikes inflation and hurt corporate margins. On top of that, very untimely, India's monsoon prospects have been downgraded further worsening the inflation outlook. Consumer discretionary remains vulnerable to inflation pressures from high oil prices and weaker rural demand if monsoons disappoint.	
			<b>Styles</b>	Quality and Value. Well Diversified large caps Thematic Plays	Small caps		We add to PSU Banks (SBI) that are relatively safe haven even as private financials weaken. We allocate to defensives such as Staples, Telecom & Healthcare until the war-driven volatility cools. Exporters like IT & Pharma act as natural hedges with the sharp decline in the INR. Upstream Oil and Metals (Aluminium) benefit from higher realizations and supply shocks (pushing LME prices to 4-year highs). We see long-term investor interest in defence PSUs due to the shifting global order and the accelerating "Aatmanirbhar" mandate. We are cautious with growth stocks. Even if valuations have corrected, they remain vulnerable if earnings expectations weaken.
Alternatives	+	+		Growth Capital & Late Stage Pre-IPO  Precious Metals and REITs	Private Credit	Gold remains a structural anchor as institutional allocations increase despite short-term volatility. REITs offer steady 6-7% yield in a volatile environment.	

Opinion legend: (--) very unattractive; (-) unattractive; (=) neutral; (+) attractive; (++) very attractive.





## India macro data and projections \*

	FY2024	FY2025	FY2026	FY2027E	FY2028E
Real GDP (percent growth) Fiscal Year	8.2	6.4	6.4	6.5	6.5
CPI (percent growth) Fiscal Year	5.4	3.4	4.7	4.3	4.2
Industrial Production (percent growth)	5.2	4.0	6.2	5.0	5.0
Interest Rates (percent) Fiscal Year	6.50	6.50	5.25	5.25	5.25
Fiscal Deficit (percent of GDP)	-5.6	-4.8	-4.4	-4.3	-4.3
Trade Balance (percent of GDP)	-7.9	-6.8	-7.1	-7.0	-7.0
Current Account Balance (percent of GDP)	-0.7	-0.6	-1.1	-1.2	-1.3
Public Debt (percent of GDP)	82.7	82.7	81.8	81.2	80.5
FX reserves (USD bn)	646	659	681	645	640

Sources: IMF

\* Data are for Apr-Mar fiscal years

### MSCI India (USD) 1Y Performance



Source: Bloomberg

### Nifty50 (INR) 1Y Performance



Source: Bloomberg

Sector Performances	Index Market Cap (USD Bn)	CY 2025	May 2026	% YTD	Fwd PE (x)
Nifty Realty	20.6	-16.6%	-1.4%	-12.7%	21.6
Nifty Pharma	93.3	-2.9%	4.6%	6.5%	28.8
Nifty IT	119.2	-12.6%	-0.9%	-21.2%	15.8
Nifty Financial Services	457.2	17.4%	-1.2%	-9.5%	14.0
Nifty Auto	123.4	23.5%	1.6%	-8.3%	21.0
Nifty Metal	92.3	29.1%	4.7%	21.0%	11.8
Nifty Energy	277.0	0.4%	0.3%	13.8%	14.5
Nifty FMCG	107.5	-2.3%	-3.3%	-13.2%	30.6
Nifty India Consumption	339.6	8.2%	-1.4%	-9.9%	29.1
Nifty Media	4.0	-20.5%	-3.3%	-1.3%	16.9
INR/USD		-5.0%	-0.1%	-5.4%	

Source: Bloomberg





## Figure of the Month

# 250

The Cost of a Prolonged Conflict: USD 250 Billion

The projected size of India's annual fuel import bill should the US-Iran conflict drive and sustain crude oil prices at or above the USD100 per barrel threshold. As the nation relies on overseas markets for over 80% of its crude oil requirements, this acute geopolitical friction threatens to add a staggering premium to the sovereign import bill over the next fiscal year.

### S. P. Hinduja Banque Privée S.A. – A family-owned Swiss Bank with Indian roots.

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Founded in Geneva in 1994 by Srichand Parmanand Hinduja with a vision to provide clients with a bridge between East and West, our institution remains the only Indian-owned Swiss bank in history. With an active presence in Switzerland, India, UAE and the UK, S.P. Hinduja Banque Privée offers its clients the reliability of Swiss regulatory oversight, while providing specialized access to high-growth markets.

We are a private bank with an entrepreneurial spirit, embracing collective action and building creative solutions that advance the world, economically and socially.

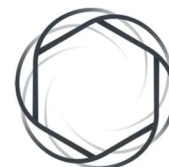
*The future of banking is emerging at the intersection of profit and purpose.*

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