

Q1 FY 2025–26

INDIA RISK INSIGHT QUARTERLY (IRIQ)

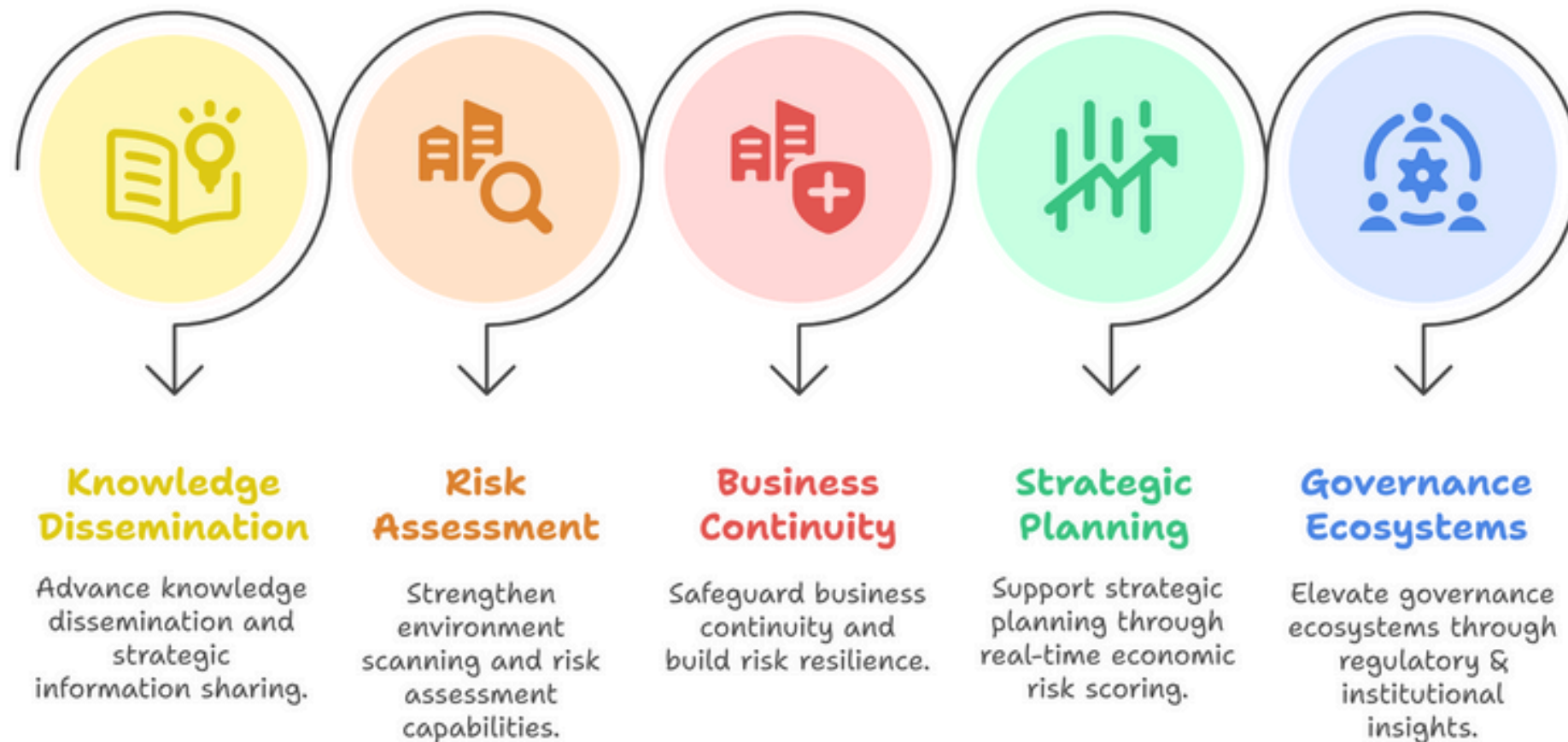
*From Data to Decisions— India's Risk
Pulse, Every Quarter.*

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Background

Key Objectives



Purpose: The India Risk Insight Quarterly (IRIQ) is a strategic intelligence report designed to decode India's evolving macroeconomic and corporate landscape. It aggregates risk signals from financial, operational, and governance vectors across industries, delivering actionable insights to business leaders.

Usage by CXOs

- **CEOs:** Leverage narrative intelligence for strategic pivots and market positioning
- **CFOs:** Utilize risk and performance signals for liquidity management and capital planning
- **CROs:** Monitor cross-sectoral threats and fine-tune internal risk frameworks for compliance and resilience

Methodology – How Risk Scores Are Assigned



IRIQ applies a multidimensional scoring rubric to benchmark risk indicators across macroeconomic and corporate domains, enabling consistent comparisons, scenario modelling, and strategic response planning



Scoring Dimensions

- Magnitude: Severity of deviation from equilibrium
- Volatility: Sharpness and frequency of shifts over the quarter
- Propagation: Sectoral linkages and systemic spillovers
- Duration: Short-term blip vs. structural persistence.

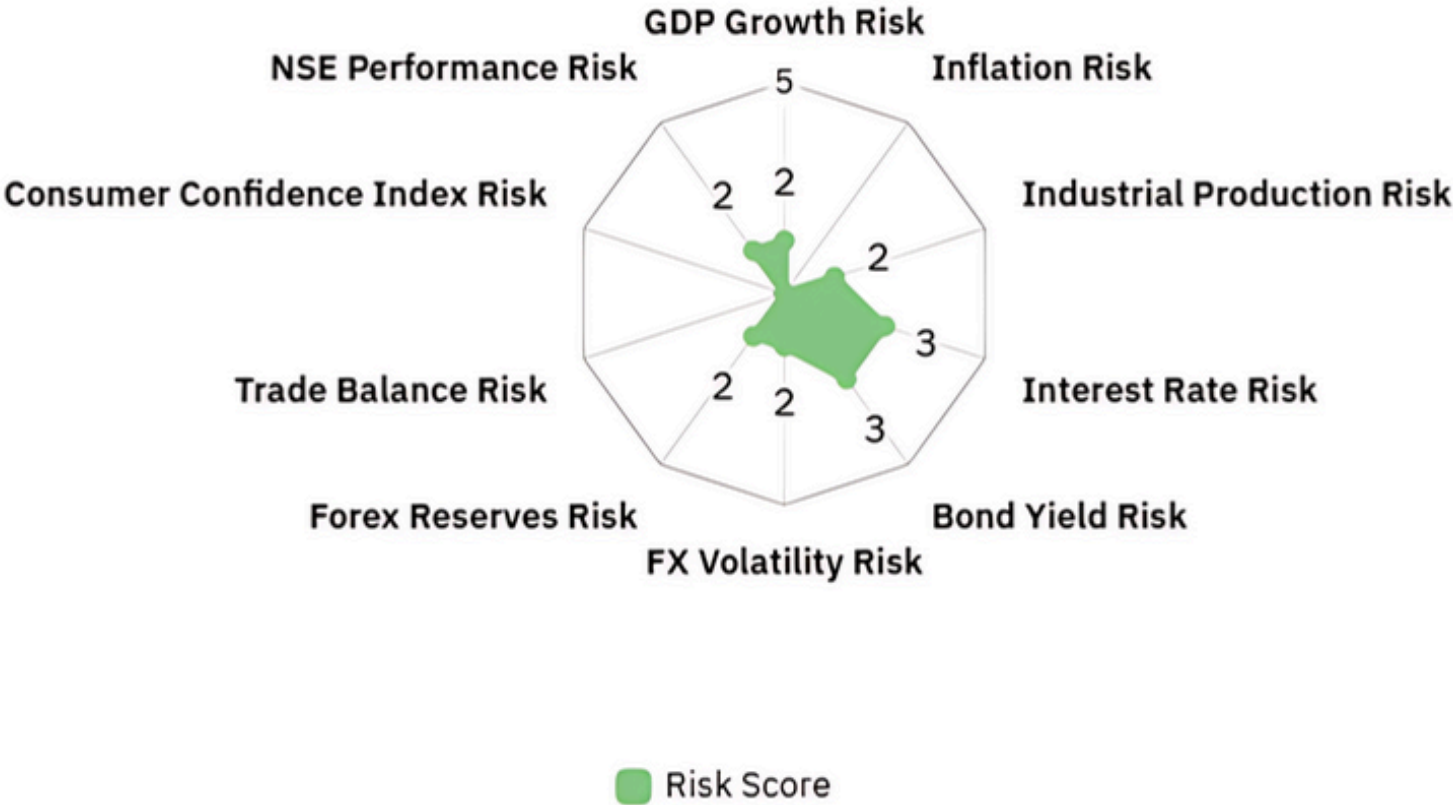
Score	Impact
1	Business as usual – no material risk to operations or strategy
2	Low-level signals – keep monitoring, minor fluctuations possible
3	Noticeable strain – may affect liquidity, profitability, or stakeholder confidence
4	Systemic stress – risk across multiple fronts; activate mitigation levers
5	Severe disruption – threat to business continuity, financial integrity, and sector exposure

Executive Commentary

Q1 FY 2025–26

Risk Radar Chart

Macroeconomic Stability Risk Radar Chart - Q1 FY 25-26



Macro-economic Indicators

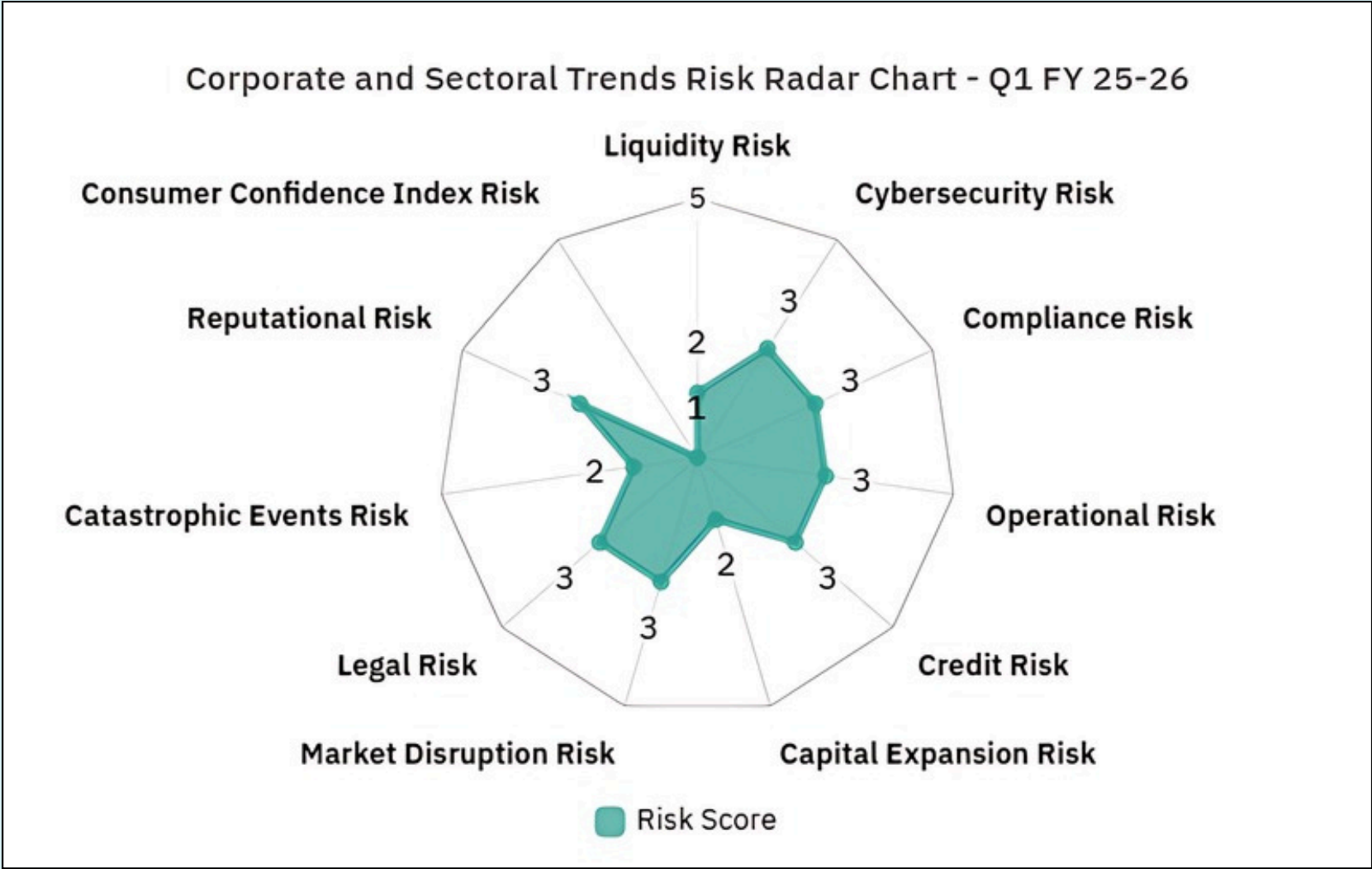
Economic Indicators



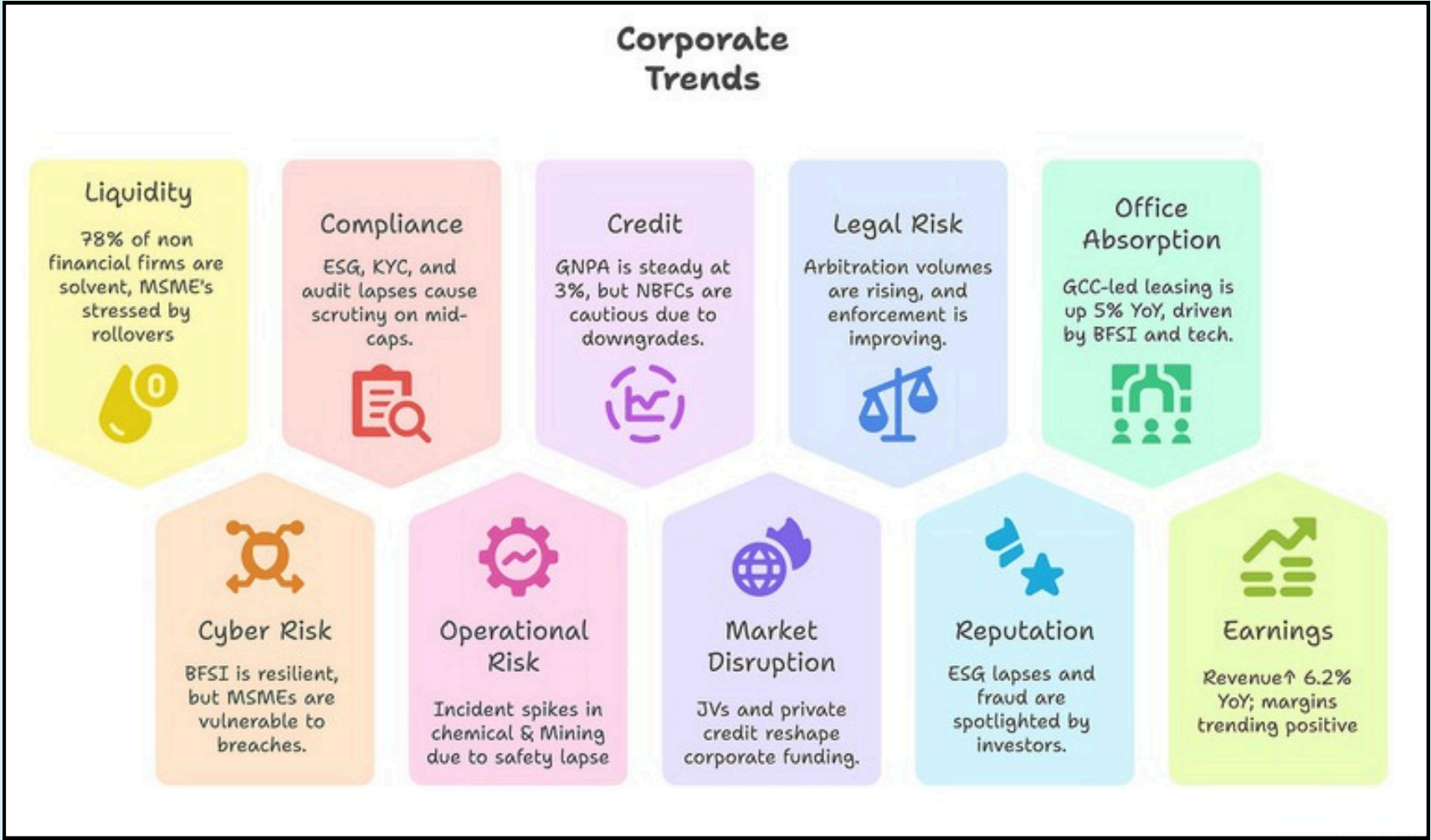
Executive Commentary

Q1 FY 2025–26

Risk Radar Chart



Corporate & Sectoral Trends



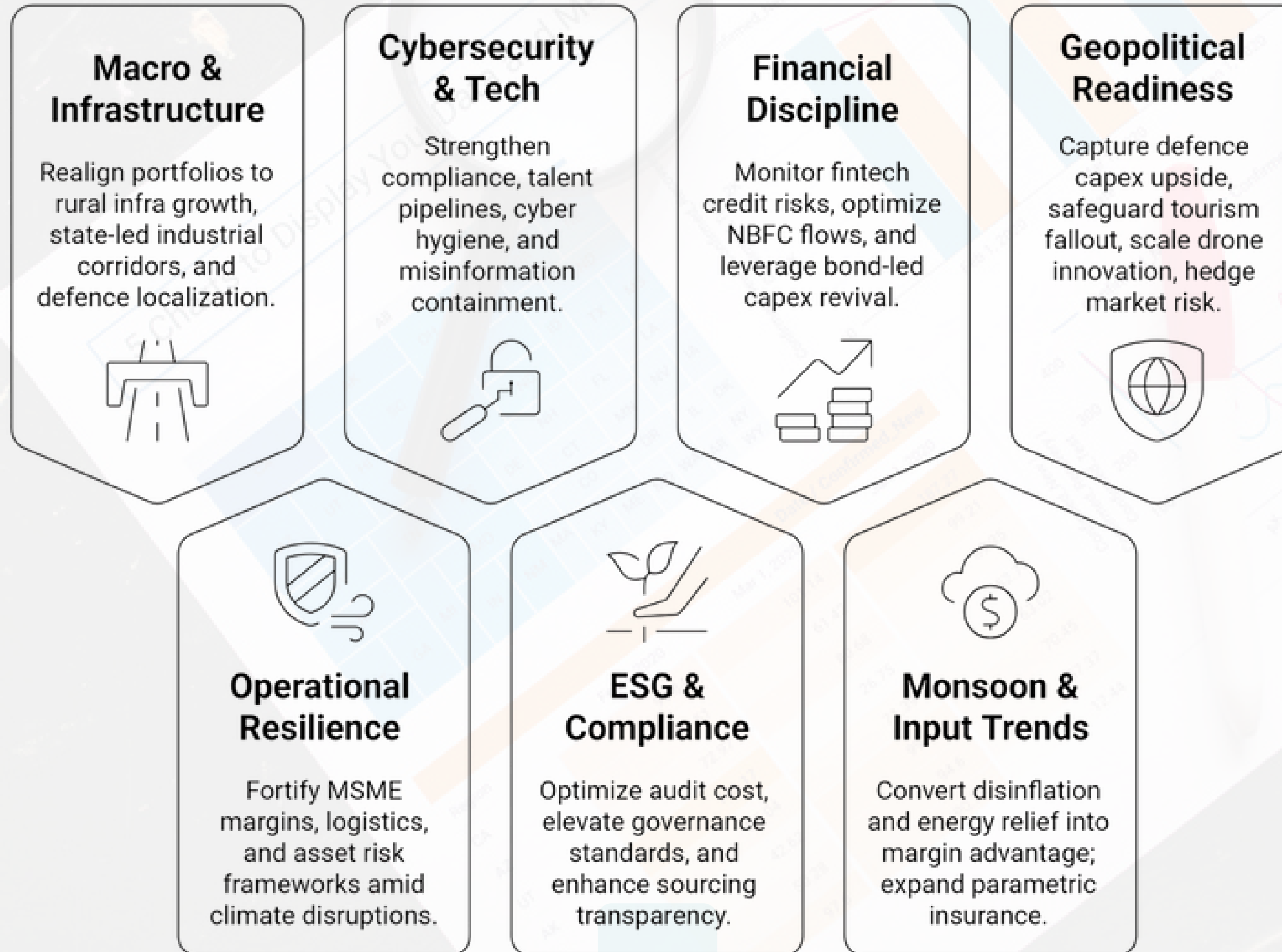
Key Risk Indicators Q1 FY 2025–26

Risk Category	Risk Score	Mapped Events	CEO Focus Area
Strategic	2	<ul style="list-style-type: none"> GDP: Q1 FY26 at 6.5% down from 7.4% in Q4 FY25– rural + infra-led recovery Capex: ₹1.35L crore in semis, EVs, defence – state GVA boost Insurance: Allianz–Jio JV disrupts channel – pressure on incumbents Defence: Post-Sindoor drone push – 75% sourcing from domestic firms 	<ul style="list-style-type: none"> Align portfolios with rural infrastructure growth Invest along industrial corridors with state incentives Digitize distribution via tech-driven alliances Localize defence procurement with tier-1 suppliers
Operational	3.5	<ul style="list-style-type: none"> Gujarat fire & mining disruption led to ₹300+ crore industrial losses. MSMEs hit by margin pressure despite expanded ₹1.5 lakh crore credit guarantee. 78% firms held positive net working capital—liquidity buffers improved ~6–8%. Assam & Uttarakhand floods caused ₹500+ crore losses, disrupting logistics & BCPs. 	<ul style="list-style-type: none"> Strengthen industrial risk mitigation and asset insurance Bolster MSME profitability via cost and margin optimization Sustain liquidity with dynamic working capital strategies Reinforce disaster-ready logistics and BCP frameworks
Cybersecurity	4	<ul style="list-style-type: none"> RBI tightens IT oversight, proposes ban on third-party banking product displays. GCC hiring surges 8–10%, but Tier-2 cities face critical GenAI and cyber talent gaps. MSMEs flagged for high breach exposure; urged to adopt low-cost cyber hygiene. 1.5M+ targeted cyberattacks post-Operation Sindoor linked to hostile APTs. “Dance of the Hillary” spyware spreads via social apps, prompts misinformation alerts. BSE issues cyber advisory; BFSI sector on high alert after CERT-In threats. 	<ul style="list-style-type: none"> Strengthen IT compliance with RBI mandates Accelerate cyber talent development, especially in Tier-2 ecosystems Promote MSME cyber hygiene via scalable safeguards Enhance threat intelligence across operations Mitigate misinformation risk through platform-level scrutiny & Bolster sector-wide cyber response
Compliance	3.5	<ul style="list-style-type: none"> ESG assurance costs for listed entities by 12–15% YoY Compliance costs for BFSI firms by 8–10%; GST reconciliation delays in 17% of NBFC audits; Post-April UPI outage, RBI mandated API throttling protocols. Bank credit to NBFCs by 2.9% YoY (April); Lending margins in unsecured retail segments by ~40 bps RBI issued new collateral lending guidelines effective April 2026: capped LTV ratios, mandatory valuation disclosures, and penalties for delayed collateral return Legal costs for offshore JV exits by 6–8%; Delay in cross-border settlements 	<ul style="list-style-type: none"> Manage ESG assurance overheads with lean audit and disclosure practices Mitigate BFSI compliance drag through GST tech sync Tighten NBFC credit flow and recalibrate unsecured lending margins Prepare lending portfolios for RBI's 2026 collateral norms by adjusting LTV thresholds and integrating penalty risk into asset workflows. Reduce offshore JV exit frictions through settlement and legal cost controls

Key Risk Indicators Q1 FY 2025–26

Risk Category	Risk Score	Mapped Events	CEO Focus Area
Reputational	3	<ul style="list-style-type: none"> Mid-Cap ESG Missteps → Sparked SEBI action; assurance costs up 12–15% FMCG & Pharma Sourcing Backlash → Brand engagement down 3–5%, hit ad ROI Infosys: Earnings vs Sentiment → Profit rose 8.7% RBI on Board Governance → Compliance costs rose; audits intensified 	<ul style="list-style-type: none"> Strengthen ESG oversight and compliance alignment De-risk sourcing strategy to restore brand equity and ad returns Balance performance narratives with investor sentiment Enhance board governance to meet evolving RBI audit expectations
Financial	2.5	<ul style="list-style-type: none"> GNPA at 3.0%; Fintech Loans Under Watch → RBI flagged unsecured fintech credit for latent stress Corporate Bond Issuances Hit ₹3.27 Lakh Crore → Highest in 4 years; signals capex revival INR Range-Bound; Forex Reserves at \$702.78B → Near record high; buffers remain robust Liquidity Buffers Stable in Large Firms → RBI's LCR tweaks freed up ₹2.7–3.0L Cr lending headroom MSMEs Face Credit Rollover Strain → NBFC access tightened; informal funding reliance rose 	<ul style="list-style-type: none"> Monitor fintech credit stress and recalibrate unsecured risk models Leverage bond market momentum to unlock capex-linked funding Preserve currency stability and enhance forex buffer utilization Deploy fresh lending capacity via optimized LCR frameworks
Environmental	3	<ul style="list-style-type: none"> Monsoon-Eased Inflation → CPI fell to 2.7%; food inflation at 1.78% amid strong harvests Flood-Linked Insurance Provisioning → Parametric models scaled post-Assam/Uttarakhand floods; payouts triggered on rainfall thresholds Energy Cost Decline Boosted Margins → Brent below \$68/barrel; input cost relief aided manufacturing margins Assam & Uttarakhand floods hit agri-output, strained relief budgets, and exposed infra gap 	<ul style="list-style-type: none"> Leverage monsoon-led disinflation to optimize cost structures Expand parametric insurance for climate-triggered risks Capitalize on energy cost relief to strengthen margin buffers Address agri-supply disruptions through upgrades and fiscal planning
Geopolitical	3.5	<ul style="list-style-type: none"> Operation Sindoor: → Defence capex accelerated; ₹9K–₹11K Cr procurement surge → BEL, HAL, BDL stocks gained 12–18% Retaliatory Strikes: → Civil aviation hit (~₹307 Cr/month); tourism loss ~₹1,200 Cr → 1,100+ flights cancelled in border states Drone Warfare Initiation: → Indigenous drone push; 550+ startups activated → Defence exports projected to exceed ₹21,000 Cr Market & Policy Shifts: → Sensex dipped 1.8%, then rebounded → FPI outflows ~₹4,600 Cr; RBI flagged geopolitical risk; tariff & forex policy under review 	<ul style="list-style-type: none"> Capitalize on defence capex surge with Make-in-India procurement acceleration Buffer civil aviation and tourism fallout via crisis response and route diversification Scale indigenous drone strategy to drive export-led innovation and startup integration Navigate policy uncertainty with dynamic forex risk and FPI sentiment monitoring

Executive Risk Lens



Conclusion



Key Takeaways:

- India's macro fundamentals—GDP growth, inflation containment, and reserve stability—have upheld a broadly resilient risk posture.
- Persistent stress zones remain concentrated in mid-cap corporates, MSMEs, and regulation-intensive sectors, warranting targeted oversight.
- The 20-indicator scoring construct enabled granular segmentation of risk intensity across corporate layers and economic subsectors.
- No systemic events materialized in Q1; however, asymmetric exposures signal the need for pre-emptive governance and liquidity safeguards.

Strategic Themes Going Forward

- Transition from reactive compliance to anticipatory resilience by integrating sector-specific stress analytics and forward-looking risk signals.
- Escalate board-level accountability, with sharper focus on ESG maturity, reputational downside, and audit-driven risk hygiene.
- Institutionalize scoring outputs into Capex, treasury planning, and compliance mapping to foster alignment with strategic objectives.

CXO Imperatives

- **CEOs:** Reorient strategy to address mid-market volatility, trade unpredictability, and policy asymmetries
- **CFOs:** Reinforce liquidity buffers and monitor NBFC exposure and credit rollover cycles
- **CROs:** Calibrate internal frameworks against directional scoring intelligence and regulatory heat maps

Annexure 1

GDP Growth

Event: India’s GDP grew at 6.5% during April–June 2025.
Description: The Indian economy displayed notable resilience despite global headwinds from weak external demand and volatile commodity markets. The services sector —particularly financial services, trade, and real estate—contributed significantly to quarterly output, while public capital expenditure continued to support infrastructure investment. _Rural demand rebounded due to an above-normal monsoon and early sowing patterns, lifting consumption in non-urban pockets. Manufacturing showed signs of revival in high-frequency indicators like auto production and cement sales, although larger industrial segments remain uneven. Private investment is gradually improving, backed by corporate deleveraging and stable lending rates, while bank credit to industries and MSMEs picked up in June. However, exports remained muted due to global trade frictions and weak Eurozone demand. Overall, Q1 FY26 growth sits comfortably within RBI’s forecast range of 6.5–6.7% , and while upside remains capped, downside risks have narrowed considerably. · Reinforces macroeconomic stability , offering confidence to foreign investors and rating agencies; Encourages sectoral Capex planning and anchors sentiment for retail and wholesale credit expansion. · Supports corporate earnings visibility , especially in infrastructure, banking, telecom, and consumer durables; Reduces the urgency for immediate fiscal stimulus, allowing policy flexibility later in the year.

Annexure 2

Inflation

Event: Headline CPI averaged 2.9% in Q1 FY26 - well below RBI’s 4% target band.
Description: Retail inflation eased significantly during the quarter, driven by a combination of above-normal monsoon, strong crop arrivals , and declining global crude oil prices ; Food inflation remained soft, particularly in cereals, pulses, and vegetables, while fuel inflation saw a mild uptick due to LPG price adjustments. Core inflation also moderated, with input cost pressures easing across manufacturing and services. The RBI revised its full-year FY26 inflation forecast downward to 3.7% , citing broad-based disinflation and stable supply-side conditions. Enhances real disposable income and supports household consumption; Expands RBI’s monetary policy space, enabling rate cuts to support growth. Eases margin pressure for FMCG, logistics, and retail sectors; Improves investor sentiment and reduces inflation-linked bond yields.

Annexure 3


Interest Rates

Event: RBI reduced the repo rate by 50 bps to 5.5% and CRR by 100 bps to 3.0% in June 2025.
Description: The Monetary Policy Committee opted for a calibrated easing stance amid benign inflation and subdued global conditions. This marked RBI’s first major rate action since late FY25, injecting approximately ₹2.5 lakh crore of liquidity into the banking system through CRR adjustments and bond purchases. The central bank emphasized the need to stimulate credit flows to productive sectors while maintaining price stability.
Transmission to lending rates began by mid-June, with several PSU and private banks trimming MCLR and retail lending rates. Despite improved liquidity, lending momentum remained cautious due to weak industrial demand and ongoing margin pressures across banks.
Strengthens transmission of monetary policy and lowers borrowing costs across MSME, housing, and infrastructure; Supports bond demand and equity re-rating, especially in rate-sensitive sectors.
May compress net interest margins (NIMs) in banking if deposit repricing lags; Facilitates working capital access, but credit off-take still hinges on demand revival.

Annexure 4

Industrial Production

Event: India’s Index of Industrial Production (IIP) grew by 2.7% YoY in April 2025 — the slowest pace in eight months , down from 5.2% in April 2024.
Description: The moderation in factory output was driven by a contraction in mining (–0.2%) , slower electricity growth (1.1%) , and mixed manufacturing trends . Capital goods production rose 20.3% , indicating sustained investment activity, while consumer non-durables declined 1.7% , highlighting consumption weakness.
Sectoral strength was seen in motor vehicles and machinery, while textiles, basic metals, and apparel underperformed.
Indicates supply chain bottlenecks and uneven industrial recovery; Raises caution for Capex-linked sectors such as real estate, infra, and heavy manufacturing.
Dampens industrial credit appetite among lenders targeting SMEs and mid-market firms; May prompt selective fiscal incentives or infrastructure push to smoothen sectoral output.

<div> <div>Annexure 5</div> <div>Consumer Confidence Index</div> </div>		
<div> <div>Event:</div> <div>India’s Consumer Confidence Index (Current Situation Index) stood at 95.4 points in May 2025, marginally down from 95.5 in March 2025.</div> </div>		
<div> <div>Description:</div> <div>The RBI’s Consumer Confidence Survey for Q1 FY26 revealed stable but subdued sentiment among urban households. While perceptions of the general economic situation and employment remained broadly unchanged, expectations for future income and spending showed slight improvement.</div> </div>		
<div> <div>Impact:</div> <div>The index remains below the neutral threshold of 100, indicating cautious optimism rather than outright confidence. The survey covered six major metros and reflected mixed views on inflation, job security, and discretionary spending.</div> </div>		
<div> <div>Implication:</div> <div>Signals muted consumer sentiment, which may weigh on retail demand and urban discretionary sectors; Suggests limited pricing power for consumer-facing firms, especially in FMCG and durables.</div> </div>		
<div> <div>Recommendation:</div> <div>May delay full recovery in urban consumption, despite easing inflation and rate cuts; Useful for calibrating fiscal stimulus or targeted demand-side interventions.</div> </div>		
<div> <div>Annexure 6</div> <div>NSE Performance</div> </div>		
<div> <div>Event:</div> <div>The Nifty 50 index rose by 8.5% during April–June 2025, outperforming large-cap peers and marking a strong start to FY26.</div> </div>		
<div> <div>Description:</div> <div>The NSE benchmark rallied on the back of cooling inflation, rate cuts by RBI, and robust domestic earnings. Mid-cap and small-cap indices outperformed, rising 10.7%, driven by strong results in real estate, retail, and infrastructure. Sectoral divergence was evident:</div> </div>		
<div> <div>Weakness:</div> <div>IT and export-heavy stocks faced pressure due to weak global demand.</div> </div>		
<div> <div>Strength:</div> <div>Banking, oil & gas, and consumer discretionary led gains, supported by margin expansion and liquidity tailwinds.</div> </div>		
<div> <div>Outlook:</div> <div>Valuations remained elevated, with Nifty trading at 21.2x forward earnings, raising caution about sustainability without earnings acceleration.</div> </div>		13

Annexure 7

Bond Yield

Event: India’s 10-year government bond yield traded in a stable range of 6.25–6.55% during Q1 FY26, supported by ₹132 billion in foreign inflows in June 2025.
Description: The bond market remained resilient amid RBI’s rate cuts and India’s formal inclusion in the JP Morgan Global Bond Index (effective June 28, 2024). Foreign portfolio investors (FPIs) increased allocations via the Fully Accessible Route (FAR) , driving demand for sovereign debt.
Corporate bond issuances surged to ₹3.27 lakh crore , a 42.7% YoY jump — the highest in four years. Weighted average yields for AAA-rated 10-year corporate bonds hovered around 7.18% , while AA-rated paper traded near 9.36% , reflecting favorable borrowing conditions.
Lowers cost of capital for corporates and infrastructure issuers; Encourages long-tenor issuances and broadens investor base.
Deepens debt market liquidity and enhances benchmark curve stability; Supports rupee appreciation and reduces external vulnerability.

Annexure 8

FX Volatility

Event: The Indian Rupee traded in a narrow band of ₹82.5–₹83.2/USD during April–June 2025, reflecting low currency volatility.
Description: The INR remained largely stable throughout Q1 FY26, supported by robust forex reserves (~\$645 billion) , a moderate current account deficit (CAD) , and active RBI interventions in spot and forward markets.
Despite global uncertainties — including US tariff shifts and commodity price swings — the rupee’s movement was range-bound, with daily volatility averaging below 0.3% , among the lowest in emerging markets.
RBI’s forex swaps and dollar buy-sell operations helped smoothen liquidity and anchor expectations. The Bloomberg EM Index inclusion also bolstered passive inflows into INR-denominated assets.
Improves hedging efficiency for corporates and importers; Limits pass-through inflation from imported goods and stabilizes external debt servicing.

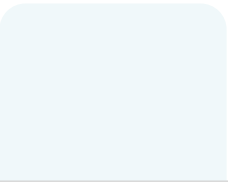
Annexure 9

Foreign Reserves


Event: India’s foreign exchange reserves averaged \$688.13 billion during Q1 FY26, peaking at \$702.78 billion by the end of June 2025.
Description: The Reserve Bank of India sustained a strong reserve position throughout the quarter, bolstered by capital inflows , passive index-linked investments , and active FX interventions . Despite global trade frictions and US tariff uncertainty, the RBI’s reserve management ensured adequate import cover and external debt servicing capacity. The reserves comprised:
Foreign Currency Assets (FCAs): ~\$580.66 billion; Gold Holdings: ~\$84.37 billion; Special Drawing Rights (SDRs): ~\$18.59 billion; Reserve Tranche Position (RTP): ~\$4.51 billion
This diversified composition provided resilience against currency volatility and enhanced investor confidence. The reserves were sufficient to cover 10.9 months of imports and 90% of India’s external debt , as per the Economic Survey.
Reinforces sovereign credibility and supports rupee stability; Supports external sector resilience, aiding trade and investment flows.
Acts as a buffer against capital flight , commodity price shocks, and geopolitical risks; Enables RBI to intervene effectively in FX markets to manage volatility.

Annexure 10

Trade Balance



Event: India’s trade deficit narrowed to \$20.31 billion in Q1 FY26, down from \$22.42 billion in Q1 FY25. In June 2025 , the monthly deficit fell sharply to \$3.51 billion , compared to \$7.30 billion a year earlier.
Description: India’s overall exports (merchandise + services) rose 5.94% YoY to \$210.31 billion, marking the highest-ever Q1 export figure; Merchandise exports: \$112.17 billion (+1.92% YoY); Services exports: \$98.13 billion (+10.93% YoY); Key drivers included electronics (+46.9%), pharmaceuticals (+5.95%), and marine products (+13.33%).
On the import side, growth was modest at 4.38% YoY , with declines in gold, coal, and transport equipment helping narrow the deficit; Exports to the US, China, France, and Brazil saw double-digit growth, while services (IT, consulting, financial) continued to outperform.
Improves current account dynamics and reduces external vulnerability; May prompt upward revision in FY26 export targets if momentum sustains.
Supports rupee stability and enhances investor confidence; Strengthens earnings visibility for export-oriented firms in tech, pharma, and engineering.

<div> <div>Annexure 11</div> <div>Liquidity</div> </div>			
Event: RBI’s Financial Stability Report (June 2025) noted that corporate liquidity buffers remained stable , with over 78% of listed non-financial firms maintaining positive net working capital; Short-term debt exposure declined 2.1% YoY, and the average cash coverage ratio stood at 1.34x, indicating adequate coverage of near-term liabilities.			
Description: RBI’s sectoral scan highlighted improved liquidity management in manufacturing, IT, and healthcare , supported by rate cuts and healthy operating cash flows; Vulnerabilities persisted in real estate, aviation, and MSME-linked segments, where revenue cyclical ity and debt rollover dependence remained elevated.			
Credit line utilization fell marginally across mid-cap firms, suggesting cautious working capital drawdowns.			
Some high-leverage players relied on commercial paper rollovers and short-tenor bonds , despite elevated refinancing costs.			
Indicates stable short-term solvency for large corporates and industrial majors; Improves lender confidence and supports commercial paper issuance.			
High-risk segments may still face pressure if refinancing costs rise or demand falters; Serves as a baseline for stress scenarios and treasury planning.			

Annexure 12

Cybersecurity

Event: India witnessed a surge in targeted cyberattacks post-Operation Sindoor, with over 1.5 million intrusion attempts linked to seven Pakistan-backed APT groups. These attacks targeted critical infrastructure across government, BFSI, and healthcare sectors. Concurrently, the “Dance of the Hillary” malware campaign exploited social media platforms to compromise civilian devices. CERT-In issued sector-wide alerts, prompting the BSE to release a cybersecurity advisory.			
Description: Attack vectors included phishing, DDoS, and malware injections exploiting known vulnerabilities; Indicators of compromise (IOCs) were flagged in real time, including spoofed domains and malicious hashes.			
Attribution confirmed links to regional hacktivist groups and organized cybercrime networks; Operational continuity was preserved, but reputational and data integrity risks escalated.			
Elevated threat exposure across BFSI, healthcare, and government digital assets; Underscored the need for cyber resilience frameworks and vendor risk segmentation.			
Reinforced urgency for breach containment protocols and AI-led threat detection; Triggered forensic audits, regulatory scrutiny, and insurance risk reassessments.			

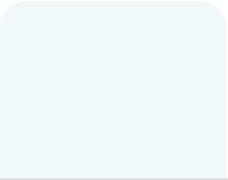
Annexure 13

Geopolitical

Event: Defence PSUs such as HAL, Bharat Dynamics, and BEL saw notable stock gains in Q1 FY26, driven by expectations of replenishment orders and strategic procurement post-Operation Sindoor. BEL secured ₹7,630 crore in fresh orders, including a ₹1,640 crore contract for Air Defence Fire Control Radars, with its order book nearing ₹75,000 crore.
Description: Strategic pivot toward drone warfare, electronic warfare, and tactical data link modernization; BSF initiated its largest drone ecosystem upgrade, including AI-powered surveillance UAVs and counter-drone systems.
Defence indigenization accelerated, with 75% procurement earmarked for domestic firms and a target of 2.5% of GDP in defence spending by FY27; Investor sentiment buoyed by policy tailwinds and operational visibility across defence verticals.
Enhances long-term visibility for defence PSUs and private players in electronics, UAVs, and tactical systems; Strategic realignment may disrupt legacy vendor ecosystems and shift competitive dvnamics.
May trigger valuation re-rating and Capex expansion in defence-linked manufacturing; Execution risks persist due to geopolitical volatility, procurement delays, and supply chain constraints.
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Annexure 14

Compliance



Event: RBI’s June 2025 Financial Stability Report and SEBI disclosures highlighted increased scrutiny on corporate governance, ESG disclosures, and financial reporting accuracy. Enforcement actions rose across sectors, especially in NBFCs, fintechs, and mid-cap listed entities.
Description: RBI flagged non-compliance in KYC norms , AML protocols, and delayed GST reconciliations among mid-sized firms.
SEBI issued show-cause notices for ESG misstatements and related-party transaction lapses.
Compliance automation adoption rose 12% YoY, driven by AI-led reporting tools and RegTech platforms; RBI’s oversight extended to board-level governance, with emphasis on independent director accountability and audit trail integrity.
Heightened regulatory risk for firms with weak internal controls or opaque disclosures; May lead to penalties, reputational damage, and investor distrust.

Annexure 15


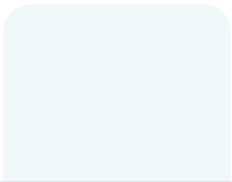
Operational

Event: RBI’s Financial Stability Report and ICRA’s Q1 FY26 outlook flagged operational disruptions linked to industrial accidents, plant shutdowns, and supply chain bottlenecks. While large firms maintained continuity, MSMEs and energy-intensive sectors faced sporadic outages and cost pressures.
Description: RBI’s KRI framework highlighted incident spikes in chemicals, mining, and heavy manufacturing due to equipment failures and safety lapses.
Planned maintenance shutdowns impacted capacity utilization in steel and cement, with JSW Steel reporting 87% utilization.
IT and services firms faced attrition-linked delivery delays , especially in Tier-2 hubs; BCP protocols were tested during localized floods and cyber outages, with mixed response effectiveness.
Operational disruptions led to margin compression and deferred deliveries in select sectors; Safety lapses and shutdowns may attract regulatory penalties and insurance scrutiny.
Strong BCP and automation buffers helped large firms maintain resilience; MSMEs remain vulnerable due to limited redundancy and reactive risk management.

Annexure 16

Credit

Event: RBI’s Financial Stability Report and India Ratings’ FY26 outlook highlighted a mixed credit environment. While asset quality improved across large banks, credit growth slowed due to cautious lending, especially to NBFCs and unsecured retail segments.
Description: Gross NPAs declined across major banks — Indian Bank’s GNPA fell to 3.0% , with net NPAs at 0.18% , reflecting tighter underwriting and improved recoveries.
Credit growth decelerated to 8–9% YoY , down from 16% in FY24, as banks reduced exposure to riskier borrowers.
Lending to NBFCs and unsecured retail segments saw sharp moderation; industrial credit remained subdued except for MSMEs and infra-linked sectors; RBI’s stress tests flagged early delinquencies in consumer durables and fintech-originated loans, prompting stricter credit filters.
Strong asset quality supports rating stability and lowers provisioning needs for large lenders; Slower credit growth may impact topline expansion, especially in retail-heavy portfolios.

<div> <div>Annexure 17</div> <div>CAPEX</div> </div>		
Event: RBI’s Financial Stability Report and ICRA’s Q1 FY26 outlook flagged cautious capital expansion across India Inc, with selective investment momentum in sunrise sectors like EVs, semiconductors, and defence-linked manufacturing.		
Description: Private capex remained measured amid global uncertainties and export headwinds.		
RBI noted balance sheet strengthening and improved interest coverage ratios, aided by repo rate cuts and easing inflation.		
Investment traction was visible in electronics, renewables, and defence-linked entities , supported by large order books and policy tailwinds; M&A activity slowed, with firms prioritizing organic growth and deleveraging over aggressive expansion.		
Cautious expansion limits over-leverage risk and supports long-term solvency; Selective capex in high-growth sectors may boost employment and supply chain resilience.		
Global volatility and trade tensions may delay broader investment cycles; Strong fiscal management and domestic demand offer buffers against external shocks.		
<div> <div>Annexure 18</div> <div>Market Expansion</div> </div>		
Event: RBI’s Financial Stability Report and industry updates flagged emerging market disruption risks from strategic JVs, digital platform shifts, and sectoral realignments. The Allianz–Jio JV and rising corporate bond issuances were key developments.		
Description: The Allianz–Jio JV gained regulatory clearance, signaling potential disruption in insurance distribution and digital financial services.		
Corporate bond issuances surged to ₹3.27 lakh crore , a 42.7% YoY jump — the highest in four years, indicating strong institutional appetite and potential repricing of bank credit.		
Infosys and other IT majors reported muted growth , raising concerns over structural shifts in tech services demand; FMCG and auto sectors faced margin pressures due to input cost volatility and subdued rural demand.		
Strategic JVs may alter competitive dynamics , especially in BFSI and telecom-linked services; Bond market momentum could shift funding preferences, impacting bank-led credit models.		<div>19</div>

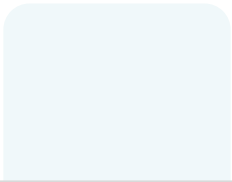
Annexure 19

Legal

Event: Q1 FY26 saw a rise in high-stakes arbitration and legal disputes, with the JioStar–ZEEL case crossing \$1 billion in claims . RBI’s Financial Stability Report emphasized the importance of institutional arbitration and enforcement clarity, especially for cross-border contracts and shareholder disputes.
Description: The JioStar–ZEEL arbitration escalated before the London Court of International Arbitration, with ZEEL denying breach and facing concurrent SEBI probes; RBI highlighted enforcement delays and misuse of the “public policy” exception in foreign award execution.
Indian courts showed a pro-arbitration stance , narrowing judicial interference and supporting party autonomy.
Arbitration clauses are increasingly structured with tiered resolution paths (negotiation → mediation → arbitration), and emergency relief provisions.
High-value disputes may lead to financial provisioning , reputational damage, and investor caution; Enforcement clarity improves contract credibility and foreign investor confidence.
Institutional arbitration adoption supports timely resolution and reduces litigation backlog; Legal risk remains elevated in sectors with complex JV structures, IP disputes, or regulatory scrutiny.

Annexure 20

Envoirnmental



Event: RBI’s Financial Stability Report and industry disclosures flagged isolated but material catastrophic events, including industrial fires, fraud incidents, and localized natural disasters. While systemic impact was limited, select sectors faced operational and reputational setbacks.
Description: A major industrial fire at a chemicals facility in Gujarat led to temporary shutdowns and insurance claims exceeding ₹250 crore.
RBI noted fraud incidents in cooperative banks and NBFCs, prompting tighter audit mandates and forensic reviews.
Localized flooding in Assam and Uttarakhand disrupted logistics and plant operations for FMCG and auto firms; Cyber-linked frauds rose marginally, with RBI urging enhanced internal controls and real-time monitoring.
Catastrophic events triggered business continuity risks , insurance provisioning, and reputational exposure; RBI emphasized the need for disaster recovery frameworks, especially in high-risk geographies and sectors.

Annexure 21

Reputational

Event: RBI's Financial Stability Report and industry disclosures flagged reputational risks stemming from fraud incidents, ESG misstatements, and regulatory probes. While systemic trust remained intact, select firms faced investor scrutiny and media backlash.

Description: SEBI issued **show-cause notices** for ESG misreporting and related-party lapses, especially in mid-cap firms.

Fraud cases in cooperative banks and NBFCs triggered **forensic audits** and governance reviews.

FMCG and pharma firms faced **social media backlash** over pricing and ethical sourcing concerns.

RBI emphasized the role of **board-level accountability** and transparent disclosures in mitigating reputational fallout.

Reputational damage can affect **brand equity, investor confidence**, and regulatory standing; ESG lapses may lead to exclusion from sustainability indices and impact fundraising.

Appendix

Sr. no	Sources
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Appendix

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This overview of IRIQ under various laws is provided to you based on your association with JHS. It is not advice, but a well-researched summary from publicly available sources. Individual circumstances may vary, and specific legal advice is recommended for a tailored remedy. The synopsis is presented in good faith to highlight the significance of Risk Indicators for informational purposes.

This Publication is solely for educational and awareness purposes.

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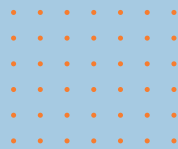
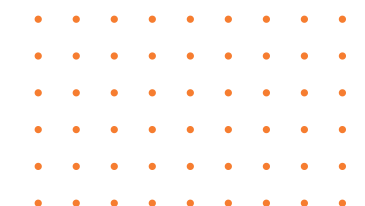
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Q2 FY 2025–26

INDIA RISK INSIGHT QUARTERLY (IRIQ)

*From Data to Decisions— India's Risk
Pulse, Every Quarter.*

Table of Contents

- Background
- Methodology
- Q2 2025 Risk Results & Radar
- CEO Key Risk Indicators
- Conclusions
- Others

Background

Key Objectives



Purpose: The India Risk Insight Quarterly (IRIQ) is a strategic intelligence report designed to decode India's evolving macroeconomic and corporate landscape. It aggregates risk signals from financial, operational, and governance vectors across industries, delivering actionable insights to business leaders.

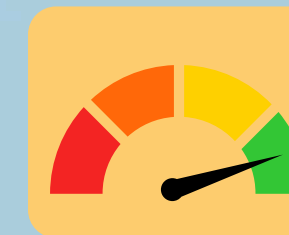
Usage by CXOs

- **CEOs:** Leverage narrative intelligence for strategic pivots and market positioning
- **CFOs:** Utilize risk and performance signals for liquidity management and capital planning
- **CROs:** Monitor cross-sectoral threats and fine-tune internal risk frameworks for compliance and resilience

Methodology – How Risk Scores Are Assigned



IRIQ applies a multidimensional scoring rubric to benchmark risk indicators across macroeconomic and corporate domains, enabling consistent comparisons, scenario modelling, and strategic response planning



Scoring Dimensions

- Magnitude: Severity of deviation from equilibrium
- Volatility: Sharpness and frequency of shifts over the quarter
- Propagation: Sectoral linkages and systemic spillovers
- Duration: Short-term blip vs. structural persistence.

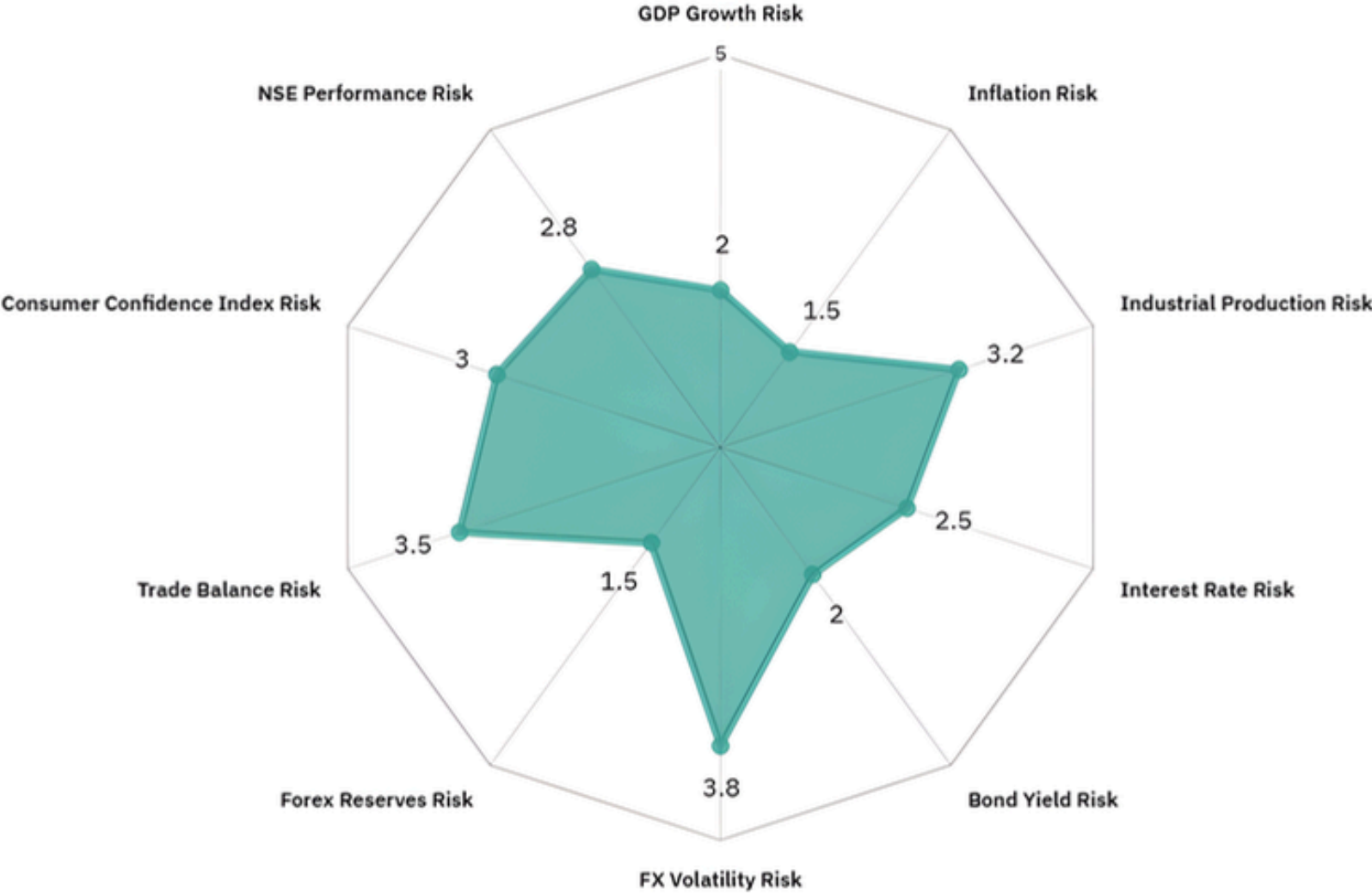
Score	Impact
1	Business as usual – no material risk to operations or strategy
2	Low-level signals – keep monitoring, minor fluctuations possible
3	Noticeable strain – may affect liquidity, profitability, or stakeholder confidence
4	Systemic stress – risk across multiple fronts; activate mitigation levers
5	Severe disruption – threat to business continuity, financial integrity, and sector exposure

Executive Commentary

Q2 FY 2025–26

Risk Radar Chart

Macroeconomic Stability Risk Radar Chart Q2 FY 25-26



Macro-economic Indicators

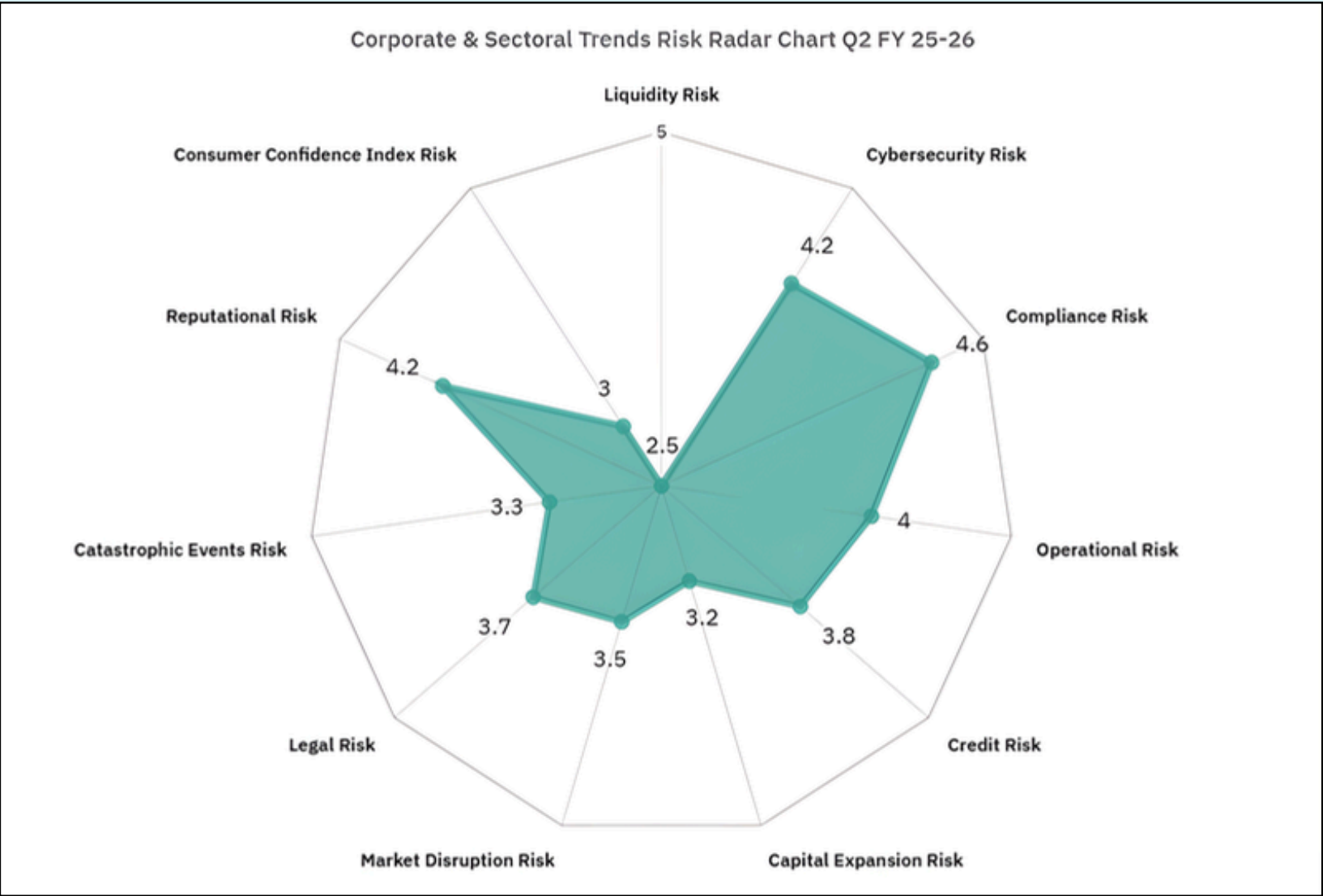
Economic Indicators



Executive Commentary

Q2 FY 2025–26

Risk Radar Chart



Corporate & Sectoral Trends



Key Risk Indicators Q2 FY 2025–26

Risk Category	Risk Score	Mapped Events	CEO Focus Area
Strategic	3	<ul style="list-style-type: none">• GST 2.0 rollout introduced a simplified two-rate structure, boosting consumption and formalization.• India’s GDP grew 6.7%, led by infra capex and private investment.• RBI revised FY26 forecast to 6.8%, citing domestic resilience.• Export momentum remained weak due to global trade tensions.	<ul style="list-style-type: none">• Align strategic planning with GST 2.0’s demand stimulus and tax rationalization.• Reprioritize Capex in infra, logistics, and consumer-linked sectors.• Hedge export exposure and diversify trade corridors.• Monitor sectoral rotation and valuation resets in response to policy shifts.
Operational	4	<ul style="list-style-type: none">• GST 2.0 transition caused short-term disruptions in FMCG, logistics, and retail.• RBI’s FSR flagged operational lapses in MSMEs and energy-intensive firms.• Monsoon-linked outages hit Tier-2 IT hubs and cement supply chains.• Attrition and cyber outages tested BCP protocols.• Consumer Confidence Index rose to 96.1, indicating cautious optimism.	<ul style="list-style-type: none">• Upgrade ERP and compliance systems to align with GST 2.0 workflows.• Strengthen predictive maintenance and supply chain redundancy.• Deploy automation buffers and real-time risk dashboards.• Conduct stress testing for operational continuity across vulnerable clusters.
Cybersecurity	4	<ul style="list-style-type: none">• CERT-In flagged 1.5M intrusion attempts post Operation Sindoor.• BSE issued cybersecurity advisory; RBI emphasized breach containment.• Attack vectors included phishing, DDoS, and spoofed domains.	<ul style="list-style-type: none">• Implement AI-led threat detection and forensic audit readiness.• Segment vendor risk and upgrade endpoint security.• Review cyber insurance coverage and breach protocols.• Integrate SOC capabilities with RBI and CERT-In advisories.
Compliance	2.5	<ul style="list-style-type: none">• SEBI issued show-cause notices for ESG misstatements and related-party lapses.• RBI flagged KYC/AML non-compliance and GST reconciliation delays.• SCORES complaints and settlement schemes highlighted enforcement momentum.• Compliance automation adoption rose 12% YoY.	<ul style="list-style-type: none">• Deploy RegTech platforms for automated reporting and reconciliation.• Conduct ESG assurance audits and board-level governance reviews.• Align disclosures with SEBI’s sustainability index mandates.• Monitor RBI circulars and SCORES status for proactive compliance.

Key Risk Indicators Q2 FY 2025–26

Risk Category	Risk Score	Mapped Events	CEO Focus Area
Reputational	4	<ul style="list-style-type: none"> SEBI probes triggered index exclusions for ESG lapses. Social media backlash hit FMCG and pharma firms over pricing and sourcing. Forensic audits initiated in NBFCs and cooperative banks. RBI emphasized audit trail integrity and director accountability. 	<ul style="list-style-type: none"> Strengthen ESG assurance and crisis communication protocols. Monitor brand sentiment and social media risk triggers. Reinforce whistleblower frameworks and internal controls. Align governance disclosures with SEBI and RBI expectations.
Financial	3.5	<ul style="list-style-type: none"> RBI cut repo rate to 5.5% and CRR to 3.0%, injecting ₹2.5 lakh crore liquidity. Inflation moderated to 2.1%, easing margin pressure. Bond yields stabilized; AAA corporate paper traded near 7.15%. Credit to MSMEs and mid-sized firms rose sharply. GST 2.0 reduced tax burden on essentials, boosting real disposable income. 	<ul style="list-style-type: none"> Reprice funding strategies and optimize working capital cycles. Expand duration-linked instruments and monitor NIM compression risks. Leverage liquidity tailwinds for Capex-linked expansion. Enhance treasury planning and interest coverage buffers across sectors.
Environmental	3	<ul style="list-style-type: none"> Landslide in Himachal disrupted hydroelectric operations. Hyderabad data center fire impacted fintech and logistics firms. Heatwaves in NCR pushed peak power demand to record highs. RBI flagged rising climate vulnerability in energy and digital infrastructure. 	<ul style="list-style-type: none"> Adopt geo-tagged risk mapping and climate stress disclosures. Reinforce ESG-linked audits and disaster recovery protocols. Upgrade infrastructure for heatwave and flood resilience. Integrate predictive maintenance and location-specific contingency planning.
Geopolitical	3.5	<ul style="list-style-type: none"> INR traded in a volatile band of ₹83.2–₹86.2/USD amid U.S. tariff threats. Forex reserves peaked at \$700.2B, supporting rupee stability. Trade deficit widened to \$23.6B due to elevated imports. RBI intervened via spot and forward operations to manage volatility. 	<ul style="list-style-type: none"> Diversify FX hedging strategies and monitor external debt exposure. Reassess export-linked Capex and trade corridor dependencies. Strengthen reserve buffers and liquidity management frameworks. Align procurement and pricing strategies with geopolitical risk assessments.

Executive Risk Lens



Conclusion



Key Takeaways:

- India's macro fundamentals—GDP growth (6.7%), inflation moderation (2.1%), and forex reserve stability (\$700.2B)—reinforced a resilient national risk posture.
- Elevated risk zones persist in mid-cap corporates, MSMEs, and regulation-intensive sectors, requiring targeted oversight and stress testing.
- No systemic disruptions emerged in Q2; however, asymmetric exposures and cyber vulnerabilities underscore the need for pre-emptive governance and liquidity safeguards.

Strategic Themes Going Forward

- Shift from reactive compliance to anticipatory resilience by embedding sector-specific stress analytics and forward-looking risk signals.
- Escalate board-level accountability with sharper focus on ESG maturity, reputational downside, and audit-driven risk hygiene.
- Integrate climate-linked risk mapping and digital infrastructure resilience into enterprise risk frameworks.

CXO Imperatives

- **CEOs:** Reorient strategy to address mid-market volatility, and trade unpredictability triggered by GST 2.0 and SEBI enforcement.
- **CFOs:** Reinforce liquidity buffers, monitor NBFC exposure, and manage credit rollover cycles amid rate cuts and bond market shifts.
- **CROs:** Calibrate internal frameworks against ESG scoring intelligence, regulatory heat maps, and climate-linked operational stressors.

Annexure 1

GDP Growth

Event: India’s GDP grew at 6.7% during July–September 2025.

Description: The Indian economy maintained its growth momentum in Q2 FY26, expanding at 6.7% despite persistent global uncertainties. Domestic demand remained robust, driven by festive season consumption, steady rural recovery, and resilient urban spending. The services sector continued to lead, with strong performance in financial services, real estate, and digital platforms.

Public infrastructure spending accelerated, supported by front-loaded capital outlays in transport and energy. Manufacturing gained traction, with upticks in steel, cement, and auto production, although export-oriented segments remained subdued due to weak Eurozone and US demand.

Private investment improved further, aided by stable interest rates, corporate balance sheet strength, and rising capacity utilization. Bank credit to MSMEs and mid-sized firms rose sharply, reflecting improved risk appetite. Agricultural output benefited from favorable monsoon distribution and early kharif harvests, supporting rural income and consumption.

The RBI’s revised FY26 forecast of 6.8% reflects confidence in India’s domestic growth drivers, even as external trade remains a drag. Inflation moderated to 2.6%, offering policy space for targeted interventions if needed.

Annexure 2

Inflation

Event: Headline CPI averaged 2.1% in Q2 FY26 – significantly below RBI’s revised target of 2.6%

Description: Retail inflation continued its downward trajectory in Q2, reaching a 99-month low of 1.54% in September 2025. This was primarily driven by sustained disinflation in food and beverages, with cereals, pulses, and vegetables showing subdued price momentum. Favorable base effects and strong crop arrivals offset seasonal upticks. Fuel inflation remained stable despite minor LPG price adjustments, while core inflation held steady around 4%

The RBI revised its full-year FY26 inflation forecast downward to **3.1%**, with Q2 projections cut sharply from 3.4% to **2.1%**, citing broad-based price stability and easing input costs across manufacturing and services

Eases margin pressure for FMCG, logistics, and retail sectors
Improves investor sentiment and lowers inflation-linked bond yields

Event: Headline CPI averaged **2.1%** in Q2 FY26 – significantly below RBI’s revised target of 2.6%

Annexure 3

Interest Rates

Event: RBI reduced the repo rate by 50 bps to 5.5% and CRR by 100 bps to 3.0%.

Description: The Monetary Policy Committee adopted a calibrated easing stance amid sustained disinflation and subdued global growth. This marked RBI’s first major rate action since late FY25, injecting approximately ₹2.5 lakh crore of liquidity into the banking system via CRR cuts and targeted bond purchases.

The central bank emphasized the need to stimulate credit flows to productive sectors while preserving price stability. Transmission began by mid-June, with PSU and private banks trimming MCLR and retail lending rates. However, lending momentum remained cautious due to weak industrial demand and margin pressures across banks.

May compress net interest margins (NIMs) if deposit repricing lags
Facilitates working capital access, though credit off-take still hinges on demand revival

Event: RBI reduced the repo rate by 50 bps to 5.5% and CRR by 100 bps to 3.0% in June 2025.

Annexure 4

Industrial Production

Event: India’s Index of Industrial Production (IIP) grew by 4.0% YoY in August 2025, up from 3.5% in July, but still reflecting uneven momentum across sectors.

Description: Industrial output showed modest recovery in Q2 FY26, led by a 6.0% rebound in mining and 4.1% growth in electricity, while manufacturing growth moderated to 3.8% amid global trade headwinds and tariff-related disruptions.

Use-based trends were mixed:

Infrastructure/construction goods posted the strongest growth, reflecting continued public capex push
Consumer non-durables declined sharply by 6.3%, indicating persistent demand weakness
Capital goods remained resilient, supporting investment-linked segments

Sectoral strength was visible in motor vehicles, machinery, and mining, while textiles, basic metals, and consumer goods underperformed.

Annexure 5

Consumer Confidence Index

Event: India’s Consumer Confidence Index (Current Situation Index) stood at **96.1 points in September 2025, up from 95.4 in May 2025.**

Description: The RBI’s Consumer Confidence Survey for Q2 FY26 indicated a modest improvement in urban household sentiment. While the index remains below the neutral threshold of 100, the uptick reflects growing optimism around future income and spending, supported by easing inflation and stable employment expectations.

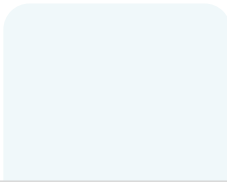
Perceptions of the general economic situation remained steady, while views on inflation showed marginal improvement. The survey, covering six major metros, highlighted cautious optimism in discretionary spending and job security.

Signals gradual recovery in consumer sentiment, though still below pre-pandemic confidence levels
Suggests limited pricing power for consumer-facing firms, especially in FMCG and durables

Useful for calibrating fiscal stimulus or targeted demand-side interventions

Annexure 6

NSE Performance



Event: The Nifty 50 index rose by **4.2% during July–September 2025**, extending its FY26 gains amid easing inflation and supportive monetary policy.

Description: The NSE benchmark posted moderate gains in Q2 FY26, buoyed by RBI’s rate cuts, stable macro indicators, and selective earnings strength. Mid-cap and small-cap indices continued to outperform, rising **6.1%**, led by real estate, auto, and capital goods.

Banking, infrastructure, and consumer discretionary led gains, supported by margin expansion and liquidity tailwinds
Oil & gas saw mixed performance amid global price fluctuations and domestic policy adjustments IT and export-oriented stocks remained under pressure due to global demand softness and currency volatility

Valuations remained elevated, with Nifty trading at **20.8x forward earnings**, prompting caution about sustainability without broad-based earnings acceleration.

Reflects investor confidence in domestic growth resilience

Annexure 7

Bond Yield

Event: India’s 10-year government bond yield traded in a stable range of 6.45–6.57% during Q2 FY26, supported by surplus liquidity.

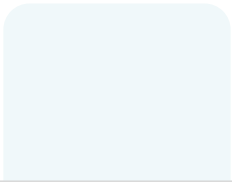
Description: The bond market remained resilient through Q2, anchored by RBI’s accommodative stance and easing inflation. The 10-year G-Sec yield hovered near 6.5%, aided by a lower-than-expected state borrowing calendar, ₹1.5 trillion liquidity surplus post-CRR unwind, and continued FPI interest via the Fully Accessible Route (FAR).

Corporate bond issuances remained robust, with Q2 volumes estimated to exceed ₹3.5 lakh crore – sustaining the momentum from Q1. Weighted average yields for AAA-rated 10-year corporate bonds held near **7.15%**, while AA-rated paper traded around **9.3%**, reflecting favorable borrowing conditions and investor appetite for duration.

- Lowers cost of capital for corporates and infrastructure issuers
- Supports rupee resilience and reduces external vulnerability
- Encourages long-tenor issuances and broadens investor base

Annexure 8

FX Volatility



Event: The Indian Rupee traded in a wider band of ₹83.2–₹86.2/USD during July–September 2025, reflecting heightened currency volatility amid global trade tensions.

Description: The INR experienced increased volatility in Q2 FY26, driven by U.S. tariff threats, intermittent capital outflows, and RBI’s evolving policy stance. Forex reserves declined marginally from ~\$645 billion, while the current account deficit widened due to elevated oil imports and weaker export receipts.

Daily volatility rose above 0.4%, with the rupee briefly touching ₹86.23/USD in July, marking its weakest level in over a year. RBI intervened via spot and forward market operations, including USD/INR swaps and liquidity smoothing measures. Despite these efforts, structural pressures persisted.

- Reduces hedging efficiency for corporates and importers
- Increases pass-through inflation risk from imported goods
- May complicate external debt servicing and raise cost of capital for FX-exposed firms
- Highlights need for diversified hedging strategies and policy coordination

Annexure 9

Foreign Reserves

Event: India’s foreign exchange reserves averaged \$699.4 billion during Q2 FY26, peaking at \$700.2 billion by September 26, 2025, according to RBI.

Description: The Reserve Bank of India maintained a robust reserve position throughout Q2, supported by sustained FPI inflows, passive index-linked investments, and strategic FX interventions. Despite global trade frictions and U.S. tariff uncertainty, the RBI’s reserve management ensured adequate import cover and external debt servicing capacity.

Foreign exchange reserves comprised FCAs (~\$582.3B), Gold (~\$84.6B), SDRs (~\$18.1B), and RTP (~\$4.2B), covering 11 months of imports.

Diversified reserve mix enhanced resilience against currency volatility, supported investor confidence, and reinforced external sector stability.

Strong reserve position enabled RBI to manage FX market volatility, buffer against global shocks, and support trade and investment flows.

Annexure 10

Trade Balance


Event: India’s trade deficit widened to \$23.6 billion in Q2 FY26, up from \$20.31 billion in Q1, driven by higher merchandise imports and uneven export momentum.

Description: India’s overall exports (merchandise + services) rose 3.2% YoY to \$208.7 billion in Q2 FY26. Merchandise exports totaled \$109.4 billion (+0.8% YoY), while services exports reached \$99.3 billion (+5.6% YoY). Key drivers included electronics, pharmaceuticals, and engineering goods, though growth moderated due to global trade headwinds and U.S. tariff uncertainty.

Imports grew 6.1% YoY, led by crude oil, electronics, and machinery, while declines in gold and transport equipment partially offset the rise.

Monthly trade deficit peaked at \$8.1 billion in August, reflecting seasonal import pressures and currency volatility, signaling pressure on current account dynamics.

Services surplus supports rupee stability, but merchandise imbalance remains a risk; export targets may be revised if global headwinds persist.

<div> <div>Annexure 11</div> <div>Liquidity</div> </div>		
<u>Event: RBI’s Financial Stability Report reaffirmed that over 78% of listed non-financial firms maintained positive net working capital, with short-term debt exposure declining 2.1% YoY and an average cash coverage ratio of 1.34x.</u>		
Description: The report highlighted stable liquidity buffers across large corporates, supported by easing interest rates, robust operating cash flows, and cautious leverage management.		
Manufacturing, IT, and healthcare sectors showed improved liquidity metrics, aided by margin recovery and working capital discipline, while real estate, aviation, and MSME-linked segments remained vulnerable due to revenue cyclical ¹ ity and refinancing dependence.		
Credit line utilization declined marginally among mid-cap firms, reflecting conservative drawdowns; some high-leverage players continued relying on commercial paper rollovers and short-tenor bonds despite elevated refinancing costs.		
Indicates stable short-term solvency for large corporates, improves lender confidence, supports commercial paper issuance, and serves as a baseline for stress scenarios and treasury planning.		
<div> <div>Annexure 12</div> <div>Cybersecurity</div> </div>		
<u>Event: India witnessed a surge in targeted cyberattacks post-Operation Sindoor, with over 1.5 million intrusion attempts traced to seven Pakistan-backed APT groups, targeting critical infrastructure across government, BFSI, and healthcare sectors. Concurrently, the “Dance of the Hillary” malware campaign exploited social media platforms to compromise civilian devices.</u>		
Description: CERT-In issued sector-wide alerts in July–August 2025, prompting the BSE to release a cybersecurity advisory. Attack vectors included phishing, DDoS, and malware injections, exploiting known vulnerabilities. Indicators of compromise (IOCs) such as spoofed domains and malicious hashes were flagged in real time.		
Attribution linked attacks to APT36, SideCopy, and other regional hacktivist groups, combining cyber espionage, hybrid warfare, and organized cybercrime.		
Elevated threat exposure across BFSI, healthcare, and government assets underscored the need for cyber resilience frameworks and vendor risk segmentation.		
Urgency for breach containment protocols and AI-led threat detection reinforced; forensic audits, regulatory scrutiny, and insurance risk reassessments were triggered.		16

Annexure 13

Geopolitical

Event: Defence PSUs such as HAL, BEL, and Bharat Dynamics continued their rally in Q2 FY26, supported by fresh order inflows, policy tailwinds, and strategic procurement post-Operation Sindoor. BEL’s order book crossed ₹76,000 crore, with new contracts including AI-powered tactical systems and radar upgrades.

Description: India’s defence sector remained in a structural upcycle, driven by accelerated indigenization, drone warfare modernization, and tactical data link upgrades.

BEL secured fresh orders for electronic warfare systems and battlefield radars; HAL posted strong Q2 revenue from fighter and helicopter deliveries; BDL ramped up missile execution including Akash and QRSAM systems.

DPM 2025 was approved and DAP revisions are expected by Dec 2025, streamlining procurement; BSF launched its largest drone upgrade with AI-powered UAVs and counter-drone platforms.

Sector outlook supports long-term visibility and Capex expansion, but execution risks persist due to geopolitical volatility, procurement delays, and supply chain constraints.

Annexure 14

Compliance

Event: RBI’s September 2025 Financial Stability Report and SEBI circulars highlighted intensified scrutiny on corporate governance, ESG disclosures, and financial reporting accuracy, with enforcement actions rising across NBFCs, fintechs, and mid-cap listed entities.

Description: RBI flagged persistent non-compliance in KYC norms, AML protocols, and GST reconciliation delays among mid-sized firms. SEBI issued show-cause notices for ESG misstatements and lapses in related-party transactions, especially in ESG debt securities and sustainability-linked bonds.

Compliance automation rose 12% YoY, driven by AI-led reporting tools and RegTech platforms; RBI’s oversight extended to board-level governance, stressing independent director accountability and audit trail integrity.

Heightened regulatory risk for firms with weak internal controls or opaque disclosures may lead to penalties, reputational damage, and investor distrust.

Encourages adoption of automated compliance frameworks and board-level accountability; serves as a baseline for stress testing governance and disclosure practices.

Annexure 15

Operational

Event: RBI’s Financial Stability Report and ICRA’s Q2 FY26 outlook flagged continued operational disruptions across industrial sectors, with MSMEs and energy-intensive firms facing elevated cost pressures and sporadic outages.

Description: RBI’s Key Risk Indicator (KRI) framework highlighted incident spikes in chemicals, mining, and heavy manufacturing, driven by equipment failures, safety lapses, and delayed maintenance.

JSW Steel reported 87% capacity utilization amid planned shutdowns and logistics delays; cement and power sectors faced monsoon-linked supply chain bottlenecks; Tier-2 IT hubs saw attrition-led delivery delays and BCP stress during floods and cyber outages.

MSMEs remained vulnerable due to limited redundancy, reactive risk management, and constrained insurance coverage, leading to margin compression, deferred deliveries, and regulatory scrutiny.

Highlights uneven resilience across industrial segments, reinforces need for predictive maintenance and BCP upgrades, and serves as a baseline for stress testing operational continuity.

Annexure 16

Credit


Event: RBI’s Financial Stability Report and India Ratings’ Q2 FY26 outlook highlighted a mixed credit environment, with asset quality improving across large banks but credit growth slowing due to cautious lending, especially to NBFCs and unsecured retail segments.

Description: Gross NPAs continued to decline across major banks — Indian Bank’s GNPA fell to 3.0%, with net NPAs at 0.18%, reflecting tighter underwriting and improved recoveries.

Credit growth decelerated to 8–9% YoY (vs 16% in FY24) as banks reduced exposure to NBFCs and unsecured retail segments; industrial credit remained subdued except for MSMEs and infra-linked sectors.

RBI’s stress tests flagged early delinquencies in consumer durables and fintech-originated loans, prompting stricter credit filters; retail-heavy portfolios faced topline pressure despite stable asset quality.

Strong asset quality supports rating stability and lowers provisioning needs, but slower credit growth may impact topline expansion and reinforces need for calibrated risk-based pricing and borrower segmentation.

<div> <div>Annexure 17</div> <div>CAPEX</div> </div>		
<div> <div>Event: RBI’s Financial Stability Report and ICRA’s Q2 FY26 outlook flagged cautious capital expansion across India Inc, with selective momentum in EVs, semiconductors, renewables, and defence-linked manufacturing.</div> <div>Description: Private capex remained measured amid global uncertainties, export headwinds, and currency volatility. Firms prioritized organic growth, deleveraging, and balance sheet strengthening, supported by repo rate cuts and easing inflation.</div> <div>Investment traction was visible in electronics, renewables, and defence-linked entities, buoyed by large order books and policy tailwinds; M&A activity slowed as firms focused on internal capacity building and risk containment.</div> <div>Interest coverage ratios improved due to stronger operating cash flows and lower borrowing costs; capex in EV battery plants, solar module fabs, and tactical systems gained momentum, especially in southern and western clusters.</div> <div>Cautious expansion limits over-leverage risk and supports long-term solvency; selective capex may boost employment and supply chain resilience, while global volatility could delay broader investment cycles.</div> </div>		
<div> <div>Annexure 18</div> <div>Market Expansion</div> </div>		
<div> <div>Event: RBI’s Financial Stability Report and industry updates flagged emerging market disruption risks from strategic JVs, digital platform shifts, and sectoral realignments. The Allianz–Jio JV gained regulatory clearance in September 2025, while corporate bond issuances continued to surge.</div> <div>Description: The newly formed Allianz Jio Reinsurance Limited (AJRL), a 50:50 JV between Jio Financial Services and Allianz Europe B.V., received regulatory approval to operate in India’s reinsurance space. This marks a strategic pivot in insurance distribution and digital financial services, combining Jio’s domestic reach with Allianz’s global underwriting expertise (allianz.com, Fortune India).</div> <div>Corporate bond issuances crossed ₹3.5 lakh crore in Q2, sustaining Q1 momentum and reflecting strong institutional appetite and potential repricing of bank credit for long-tenor instruments.</div> <div>Infosys and other IT majors reported muted growth, raising concerns over structural shifts in tech services demand; FMCG and auto sectors faced margin pressures due to input cost volatility and subdued rural demand.</div> <div>Strategic JVs may alter competitive dynamics in BFSI and telecom-linked services; bond market momentum could shift funding preferences, triggering valuation resets and reinforcing the need for adaptive capital strategies and digital distribution agility.</div> </div>		

Annexure 19

Legal

Event: Q2 FY26 saw continued escalation in high-stakes arbitration and legal disputes, with the JioStar–ZEEL case exceeding \$1 billion in claims before the London Court of International Arbitration (LCIA). RBI’s Financial Stability Report emphasized the need for institutional arbitration and enforcement clarity, especially in cross-border contracts and shareholder disputes.

Description: The JioStar–ZEEL arbitration, stemming from a terminated ICC broadcast rights deal, intensified in Q2. JioStar India (formerly Star India) alleged breach of contract, while ZEEL denied the claims and sought a refund. Evidentiary hearings are scheduled for November 2025, and the case has drawn attention due to concurrent SEBI probes into related-party transactions and governance lapses (The Economic Times, Business Standard, Deccan Herald).

Indian courts continued to adopt a pro-arbitration stance, narrowing judicial interference and reinforcing party autonomy; arbitration clauses now include tiered resolution paths and emergency relief provisions.

High-value disputes may lead to financial provisioning, reputational damage, and investor caution; enforcement clarity improves contract credibility and foreign investor confidence.

Institutional arbitration supports timely resolution and reduces litigation backlog, but legal risk remains elevated in sectors with complex JV structures, IP disputes, or regulatory scrutiny.

Annexure 20

Envoirnmental

Event: Q2 FY26 saw a series of localized but material disruptions, including a landslide-triggered power outage in Himachal Pradesh, a data center fire in Hyderabad, and extreme heatwave conditions across northern India. RBI’s Financial Stability Report emphasized the growing frequency of climate-linked operational risks and the need for sector-specific resilience planning (Reserve Bank of India).

Description: A landslide in Kinnaur disrupted hydroelectric operations, triggering emergency load shedding across Himachal and Punjab; a Tier-3 data center fire in Hyderabad caused outages for fintech and logistics firms, prompting insurance claims and forensic audits.

Heatwave conditions in Delhi-NCR and Rajasthan pushed peak power demand to record highs, straining transmission infrastructure and causing temporary industrial curtailments; RBI flagged rising climate vulnerability in energy, logistics, and digital infrastructure sectors.

Highlights growing climate-linked operational risk across industrial and digital assets; may trigger insurance repricing, stress testing of continuity frameworks, and supports RBI’s push for climate stress disclosures and ESG-linked risk audits.

<div> <div>Annexure 21</div> <div>Reputational</div> </div>	<div> <div>JHS Consulting</div> <div>Private Limited</div> </div>
<div> <div> <div> <div>Event: RBI’s Financial Stability Report and Q2 FY26 industry disclosures flagged rising reputational risks from ESG misstatements, fraud incidents, and regulatory probes, particularly in mid-cap and financial services firms.</div> <div> <div>Description: SEBI issued show-cause notices over greenwashing, inadequate ESG disclosures, and related-party lapses; several firms risk exclusion from sustainability indices. Forensic audits in cooperative banks and NBFCs followed fraud reports, triggering governance reviews and tighter audit mandates.</div> <div> <div>FMCG and pharma firms faced social media backlash over pricing transparency, ethical sourcing, and labor practices, prompting reputational damage and investor caution. RBI emphasized board-level accountability, real-time disclosures, and audit trail integrity to mitigate fallout.</div> <div> <div>Reputational damage can impact brand equity, investor confidence, and regulatory standing; ESG lapses may lead to index exclusion and fundraising constraints, reinforcing the need for automated compliance, third-party ESG assurance, and crisis communication protocols.</div> </div> </div> </div> </div> </div></div>	
<div> <div> <div>Annexure 22</div> <div>GST 2.0</div> </div> <div> <div> <div>Event: India implemented Next-Generation GST reforms (GST 2.0) effective September 22, 2025, introducing a simplified two-rate structure and rationalized slabs for daily essentials. The transition triggered short-term disruptions across FMCG, retail, and logistics sectors.</div> <div> <div>Description: Announced during the 56th GST Council Meeting, GST 2.0 aims to streamline compliance, reduce tax burden on essentials, and enhance digital filing efficiency. The new structure includes a 5% merit rate for essentials (food, personal care, medicines), 18% standard rate for most goods and services, and 40% demerit rate for luxury and sin goods.</div> <div> <div>FMCG firms like Marico and HUL reported mid-single-digit volume growth despite inventory liquidation and trade channel adjustments; Q2 profitability was impacted by discounts and delayed purchases.</div> <div> <div>GST 2.0 simplifies compliance, accelerates refund cycles, and enhances transparency while supporting MSME onboarding into the formal tax ecosystem.</div> <div> <div>Reforms stimulate demand for essentials and improve affordability, though margins may compress temporarily due to inventory realignment and transition costs.</div> </div> </div> </div> </div> </div></div></div>	<div>21</div>

Appendix

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