

Currency movement

**Depreciation of INR relative to USD
to have negative impact on few
sectors such as refining & marketing,
CGD, airlines and chemicals**

MARCH 2025





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↑	Upstream oil and gas	↓	City Gas Distribution (CGD)
↑	Metals – Ferrous and non-ferrous	↓	Refining and marketing
↑	IT services	↓	Airlines
↔	Textiles	↓	Chemicals
↔	Fertilizers		
↔	Pharma		
↔	Power		

The INR has depreciated by 4.8% in FY2025 so far relative to the USD and posted several new record lows in recent months. ICRA has analysed the potential impact of the downward movement of the INR on various sectors for FY2025 and FY2026. Sectors like upstream oil & gas, metals, IT services will benefit from INR weakness, however airlines, chemicals, refining & marketing, city gas distributors are likely to be adversely impacted.

Stronger dollar index (DXY):

- The DXY rose by a sharp 6.4% on February 28, 2025 compared to end-September 2024, the depreciation in the USD/INR pair was at 4.3% in the same period. There are a number of factors that have supported the increase, including the tempering down of expectations around monetary easing in the US and new tariff policies by the Trump administration.

Depreciating INR:

- Following the increase in the DXY after the hawkish commentary by the US Fed, as well as foreign capital outflows from India, the USD/INR pair depreciated rapidly over the last few months, crossing the 85-mark on December 19, 2024, the 86.0/USD-mark on January 10, 2025, and further the 87.0/USD-mark on February 4, 2025. It recorded a fresh record-low of 87.63/USD on February 7, 2025 and traded at 87.33/USD as of February 28, 2025.

FPI outflow contributing to INR depreciation:

- In Q3 and Q4 (up to February 28) FY2025, the Foreign Portfolio Investors (FPI) sold USD 10.9 billion and USD 11.8 billion, respectively, from the Indian markets. Historically, episodes of sustained FPI outflows have been typically associated with a depreciation in the INR, although the extent of the same has varied.

The depreciation of the INR affects various sectors differently, benefitting some while negatively impacting others.

- Sectors like IT services, metals, oil, gas will benefit from INR weakness on higher forex component in revenues.
- However, sectors like chemicals, aviation margins are likely to be adversely impacted due to higher portion of input cost to be paid in USD terms.
- On the other hand, some sectors such as fertilisers remained unaffected because of Government support.



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