

*Valuation* <sup>INDIA</sup>

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# Newsletter

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## Market Intelligence Briefing

The past month has reinforced a critical shift in how global and Indian markets are evolving, where geopolitics, policy reforms, corporate performance, and regulatory actions are increasingly interconnected. Developments ranging from rising geopolitical tensions and energy volatility to progress on trade agreements, manufacturing policy push, and divergent corporate earnings are collectively redefining how businesses are evaluated.

As capital becomes more selective and risk-sensitive, valuation is no longer driven purely by growth expectations. Instead, structure, resilience, governance, and forward-looking financial clarity are emerging as key determinants of enterprise value. This edition brings together the most relevant developments from March 2026 and examines their implications for businesses, investors, and decision-makers.

## SECTION 1

# Geopolitical & Global Risk Snapshot

The geopolitical landscape in March 2026 is characterised by compounding risk vectors that are no longer isolated events—they are structurally reshaping cost bases, supply chains, and capital flows across every major economy. Businesses and investors must treat these developments as persistent conditions, not transient shocks.

## ⚠ Middle East Tensions Escalating

Oil price volatility is intensifying, feeding directly into global inflation. Energy costs are becoming the single most disruptive variable for margin planning across industrial, consumer, and logistics sectors worldwide.

## ⚠ Energy Supply Disruption Risk

Structural supply constraints are amplifying cost pressure across industries. Businesses reliant on stable energy inputs face compounding margin headwinds that static forecasting models cannot adequately capture.

## ⚠ Global Growth Slowdown Signals

Developed markets are displaying visible stress indicators. Consumer demand softening, credit tightening, and business investment caution are converging to suppress aggregate output below long-term trend levels.

## ⚠ Trade Fragmentation Accelerating

Nations are fast-tracking bilateral and regional trade agreements as multilateral frameworks stall. Supply chain realignment is creating both disruption for legacy networks and opportunity for agile repositioners.

## ⚠ Currency & Commodity Volatility Rising

Forecasting uncertainty is increasing as exchange rate swings and commodity price dispersion widen. Businesses with cross-border exposures face heightened translation and transactional risk that demands active hedging strategies.

📌 **Strategic Imperative:** Businesses must plan for cost unpredictability. Margins may remain under pressure across sectors. Long-term planning requires **scenario-based modelling, not static projections.**

## SECTION 2

# Global Macro & Capital Markets

The global macroeconomic environment in March 2026 presents a complex and increasingly differentiated picture. While headline indicators suggest modest growth, the underlying dynamics are far more nuanced—and considerably more demanding for businesses seeking capital or planning strategic expansion.

## The New Valuation Reality

Growth remains below long-term averages, with consensus estimates clustering in the 2.7–3% range. Inflation continues to prove sticky, driven by persistent energy and supply shocks that monetary policy alone cannot resolve. In response, capital markets are becoming increasingly selective—rewarding predictability and punishing opacity.

The shift is structural, not cyclical. Investors are recalibrating their frameworks away from growth-at-any-cost narratives and toward risk-adjusted return expectations. Cash-flow visibility now commands a premium over aggressive expansion projections. Balance-sheet strength is valued above growth velocity. This recalibration is reshaping how enterprise value is formed across virtually every sector.

## Key Market Signals

- Growth below long-term averages (~2.7–3%)
- Inflation remains sticky — energy & supply driven
- Capital markets increasingly selective
- Cash-flow visibility now premium-priced
- Balance-sheet strength over expansion narratives

### Revisit Assumptions

Valuation models built on pre-2024 growth trajectories must be stress-tested against current macro conditions.

### Strengthen Visibility

Investors demand clear, auditable financial narratives. Opacity is now a discount factor in capital raising conversations.

### Prepare for Scrutiny

Due diligence cycles are lengthening. Businesses must arrive at investor conversations with defensible, scenario-tested projections.

## SECTION 3

# India–EU FTA: A Structural Growth Catalyst

The conclusion of India–EU Free Trade Agreement negotiations represents one of the most consequential trade policy developments for Indian industry in recent memory. This is not merely a trade headline—it is a structural inflection point that will reshape export economics, supply chain geography, and foreign investment flows over the coming decade.

Export-driven sectors stand to gain long-term revenue visibility as tariff barriers reduce and market access improves across the EU's 27-member single market. Supply chains that previously bypassed India on cost or regulatory grounds are now likely to recalibrate, with India emerging as a credible alternative manufacturing and service delivery hub. Foreign participation in Indian industry is expected to increase meaningfully, bringing both capital and capability transfer.

1

## FTA Concluded

Negotiations finalised — market access unlocked across EU member states

2

## Supply Chain Realignment

Global supply chains begin repositioning toward India as a preferred hub

3

## Investment Inflows

Foreign participation rises — capital and capability transfer accelerate

4

## Growth Repriced

Export-sector valuations and long-term growth projections fundamentally revised upward

📌 **Implication for Businesses:** Companies with export exposure must reassess long-term growth projections and align operational and financial structures for global markets. The window for early positioning is now.

SECTION 3 CONT.

# NITI Aayog: Manufacturing & Green Transition Push

India's policy architecture is undergoing a deliberate and consequential transformation. The NITI Aayog's renewed focus on manufacturing depth and energy transition is not merely aspirational—it is backed by capital allocation priorities, regulatory enablers, and industrial corridor development that will define sectoral winners over the next five to ten years.



## Semiconductor Ecosystem

India is building indigenous semiconductor design and fabrication capacity. PLI incentives and global supply chain anxiety are accelerating this transition, creating long-term industrial anchors in high-value manufacturing.



## Renewable Energy & Green Hydrogen

Renewable capacity targets and green hydrogen corridors are attracting significant domestic and foreign capital. Businesses in the energy value chain face both disruption risk and substantial growth opportunity.



## Industrial Corridor Expansion

Multi-modal industrial corridors are creating manufacturing-ready zones with logistics, utilities, and regulatory infrastructure. These corridors are the physical backbone of India's manufacturing ambition.

The overarching economic shift positions India on a trajectory of **manufacturing-led, energy-transition-driven growth**. Capital-intensive sectors that align with this policy direction will benefit from structured investment cycles, regulatory tailwinds, and long-term demand visibility. Those that do not will face increasing displacement.

# RBI & Domestic Monetary Stability

Against a backdrop of global monetary tightening and capital market volatility, India's domestic financial system continues to demonstrate relative stability. The Reserve Bank of India's policy posture remains calibrated—neither aggressively accommodative nor unduly restrictive—and the domestic credit cycle continues to support economic activity.

## Domestic Stability Indicators

- **Credit growth** — remains strong, supporting capex and consumption
- **Inflation** — under active monitoring; energy pass-through remains key variable
- **Liquidity** — carefully calibrated to balance growth support and price stability

## The Nuanced Read

India's domestic stability is genuine but not unconditional. External risks—particularly energy price volatility, global capital flow reversals, and currency pressure from a strengthening dollar cycle—represent the primary transmission channels through which global instability could affect domestic conditions.

For businesses, this means India remains a relatively favourable operating environment, but financial planning must incorporate external shock scenarios with greater rigour than the domestic macro picture alone would suggest.

"India remains stable, but external risks persist. Domestic resilience is not immunity from global contagion—it is a relative advantage that must be actively managed."

## SECTION 4

# Corporate Signals: Divergent Earnings & What They Reveal

The March 2026 earnings cycle has delivered one of the most instructive signals of the current market environment: performance divergence within the same sectors. The era of broad-based sector re-ratings driven by macro tailwinds is giving way to granular, company-specific evaluation based on operational discipline, pricing power, and balance-sheet quality.

Company	Performance	Strategic Insight
Tata Consumer	<b>Strong growth</b>	Demand resilience driven by brand strength and distribution depth — rewarded with premium valuation
Vodafone Idea	<b>Loss narrowing</b>	Structural recovery is visible but risk remains elevated — market applying significant uncertainty discount
Asian Paints	<b>Profit decline</b>	Margin pressure from input costs — illustrates how commodity volatility translates directly to earnings risk

📌 **The Core Signal:** Same sector ≠ same valuation anymore. Markets are rewarding efficiency, pricing power, and balance-sheet strength — and penalising those without them, regardless of sector tailwinds.

This divergence is not noise, it is a structural signal. Capital allocators are becoming increasingly forensic in their company-level analysis. Businesses that cannot demonstrate clear operational efficiency, durable pricing power, and financial resilience will face valuation discounts even in otherwise favourable sectors. The era of the rising-tide premium is over.

## SECTION 4 CONT.

# Technology & Leadership Shifts: Discipline Replaces Growth

The technology sector's evolution in early 2026 reflects a fundamental recalibration that has been building since the valuation corrections of 2022–2023. What is now crystallising is a durable shift in the values that markets and boards reward, one that has profound implications not just for tech companies, but for any business that adopted tech-sector growth logic in its strategic planning.



## Workforce Rationalisation

Layoffs across the technology sector are not isolated cost-cutting exercises—they represent a systematic recalibration of headcount-to-revenue ratios. The hiring exuberance of 2020–2022 is being unwound, and the resulting leaner structures are being rewarded with margin expansion and investor confidence restoration.



## Leadership Restructuring

Across multiple firms, leadership transitions signal a shift from visionary growth architects to operationally focused executives. Boards are prioritising leaders who can deliver predictable, auditable performance over those who can articulate transformational narratives without near-term financial correlates.



## Startup Ecosystem Recalibration

The Indian startup ecosystem is recalibrating away from growth-at-any-cost metrics. Burn efficiency, unit economics, and path-to-profitability timelines are now the primary metrics driving both investor allocation and board-level decision-making. Valuation multiples have normalised significantly.

"Growth is being replaced by discipline and profitability focus. The most competitive organisations of 2026 are not the fastest-growing — they are the most efficiently compounding."

## SECTION 5

# Tax, Regulation & M&A: The Tiger Global Ruling & Its Consequences

The Supreme Court's ruling in the Tiger Global case has sent a clear and unambiguous signal to the cross-border investment and structuring community: the era of exploiting legacy treaty positions and holding structure arbitrage for tax efficiency is being systematically closed. This is not merely a legal development—it is a valuation and governance event with far-reaching consequences.

## What the Ruling Signals

- Greater judicial scrutiny on cross-border investment structures
- Reduced tolerance for legacy tax arbitrage mechanisms
- Substance-over-form principles gaining judicial primacy
- Retroactive risk on structures previously considered settled

## Strategic Implications

Compliance and transparency are no longer merely regulatory obligations, they are now direct determinants of enterprise valuation. Institutional investors conducting due diligence on Indian assets will increasingly factor structural risk into their pricing. Companies with complex legacy holding structures must proactively assess their exposure and consider voluntary rationalisation before investor scrutiny forces the issue.

Structuring decisions made today will influence investor confidence tomorrow. The cost of non-compliance is no longer just regulatory penalties, it is a valuation discount applied at the point of capital raising, M&A, or exit.

## SECTION 5 CONT.

# M&A & Consolidation: Scale Is Necessary but Not Sufficient

The M&A landscape in March 2026 reflects a market where consolidation is accelerating, but where the quality of integration, not merely the scale of combination—is determining value creation. The high-profile transactions and bidding contests of recent months offer important lessons for strategic acquirers and targets alike.



## ZEE–Sony Merger Dynamics

One of India's most closely watched corporate consolidations illustrates the complexity of large-scale media mergers, regulatory timelines, governance alignment, and content strategy integration are proving as challenging as the financial terms themselves.



## Retail Sector Bidding Wars

Competitive acquisition processes in retail reflect the conviction that scale is strategically necessary. However, buyers are increasingly aware that overpaying for assets without clear integration pathways destroys the value that scale is meant to create.



## Sector-Wide Consolidation Trend

Across multiple sectors, consolidation is accelerating as margin pressure and capital selectivity make sub-scale operations increasingly unviable. Leaders are acquiring, followers are being acquired, and the middle is disappearing.

- ❏ **Core Insight:** Scale alone is not enough. **Integration readiness** — operational, cultural, technological, and financial — is the decisive variable that separates value-creating consolidation from expensive strategic mistakes.

## SECTION 6

# Energy & Commodity Impact: Structural Instability in Cost Bases

Energy and commodity market dynamics in March 2026 are creating a structurally more complex operating environment for Indian businesses across virtually every sector. The compounding effect of geopolitical supply disruptions, domestic pricing adjustments, and global commodity volatility is making cost forecasting materially harder—and margin management correspondingly more demanding.



## Oil Price Volatility

Geopolitical tensions in the Middle East are maintaining persistent upward pressure on crude prices. Indian importers face both direct fuel cost increases and secondary inflation transmission through logistics and petrochemical inputs.



## LPG Price Adjustments

Domestic LPG price revisions are filtering through to household and commercial energy costs. Consumer-facing businesses must model the demand elasticity impact of discretionary income compression alongside their own energy cost increases.



## Gold & Metals Volatility

Gold's safe-haven bid and metals volatility driven by supply chain disruptions are creating dual effects: input cost instability for industrial users and shifts in consumer savings behaviour that affect discretionary spending patterns.

The strategic response to this environment demands a fundamental shift in how businesses approach pricing and margin management. Static annual price lists and fixed-cost budgets are increasingly inadequate tools. Businesses that build flexibility into their pricing architecture—and invest in real-time commodity exposure monitoring—will be significantly better positioned to protect margins through volatility cycles.

# 5 Defining Themes of March 2026

Across the full spectrum of developments analysed in this briefing, five defining themes emerge with clarity. These are not temporary signals—they are structural shifts that will continue to shape the strategic and financial landscape for the foreseeable future. Senior executives and institutional decision-makers who internalise these themes will be materially better equipped for the period ahead.



## Geopolitics Is Now a Core Economic Driver

Geopolitical developments can no longer be treated as exogenous shocks to be absorbed. They are now structural inputs to cost modelling, supply chain design, and strategic planning. Scenario analysis must incorporate geopolitical risk as a primary — not secondary — variable.



## India Continues to Outperform Global Growth Trends

India's structural growth story remains intact and is being reinforced by policy credibility, demographic dividend, and increasing global supply chain relevance. Relative outperformance creates real opportunity — but it must be accessed through businesses with genuine structural advantage.



## Trade Agreements Are Reshaping Long-Term Value

The India–EU FTA and accelerating bilateral trade architecture are creating durable shifts in competitive positioning. Businesses must analyse these agreements not as policy news but as strategic opportunities demanding immediate operational response.



## Capital Is Becoming Highly Selective

The era of broadly available growth capital is over. Institutional capital is concentrating in businesses that demonstrate financial discipline, governance credibility, and visible return pathways. Access to capital is increasingly a function of quality, not just opportunity.



## Structure, Governance & Financial Clarity Define Valuation

Enterprise value is increasingly a function of how a business is structured, governed, and financially presented — not merely what it does or how fast it grows. Investment in financial clarity and governance architecture is now a direct investment in valuation.

## CONCLUSION

# Structure-Driven Decision-Making: The Imperative of Our Moment

The developments of March 2026 highlight a clear and irreversible transition in global and Indian markets—from growth-driven optimism to structure-driven decision-making. As geopolitical risks, trade shifts, policy reforms, and corporate performance converge, businesses are being evaluated through a more disciplined, more forensic, and fundamentally more demanding lens.

The organisations that will navigate this environment successfully are not necessarily those with the most aggressive growth ambitions. They are those with the clearest financial narratives, the most resilient operational structures, the strongest governance frameworks, and the strategic agility to adapt as conditions evolve. In a world where capital is selective and scrutiny is intensifying, these qualities are no longer differentiators — they are prerequisites.

## Adapt to Volatility

Build scenario-based planning capabilities that treat geopolitical and commodity risk as structural inputs, not exceptional events.

## Align with Policy Direction

Position operational and investment strategies to capture India's manufacturing and energy transition tailwinds before the window narrows.

## Maintain Financial Clarity

Invest in the quality of financial reporting, governance architecture, and investor communication as core strategic priorities — not administrative obligations.

"In this environment, long-term success will depend on the ability to adapt to volatility, align with policy direction, and maintain financial clarity. Organisations that proactively reassess their strategies in response to these shifts will be better positioned to navigate uncertainty and capture emerging opportunities."

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