KRIIS
PORTFOLIO PRIVATE LIMITED

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Dear Investor,

What a month it was for investors - a war looming, multiple uncertainties in both domestic and global markets remaining highly volatile and crude touching $135 plus. The benchmark NSE also reflected the global volatility, however indices closed higher by 4% in March 22 at 17464 after falling to a monthly low of 15671, thereby arresting the fall. The fact is, wars have often been started on the flimsiest of causes and have often been fought to satisfy ulterior motives. However, it's near impossible to downplay these event and say that all is well. It is also important to also understand that such geo-political disruptions could also be an opportunity for investors as fear and panic takes center stage and rational thinking takes a back seat.

Where does the war lead?
What seemed like a quick in-out shock and awe operation by the Russian army has gone longer than anyone had expected. However, considering that the US and NATO allies are unlikely to send their troops into Ukraine but would continue to impose more and more economic sanctions on all Russian things of interest, we believe the chances of a full blown out Military World War 3 is very remote as we said in our note last month. Dangers around the Nuclear facilities in Ukraine remain and as we see it, it could be misused both by any party. The process of talks and negotiations are happening but are largely slow.

Inflation worries
Crude prices have reached unsustainable levels and will hurt all industries across the globe. Russia is a significant player in global Oil & Gas market and the event has surely made a lasting dent on the crude and gas prices globally. Europe which gets nearly 50% of its energy requirement from Russia, is in a big soup. Besides crude, Russia exports steel, aluminum, nickel, ammonia nitrate and fertilizers while Ukraine is the largest wheat, corn, and sunflower producer. All of these factors could dent the margins of user industries and could affect demand.

Opportunity for investors
Corporate earnings should be a mix wherein cyclical commodities could report strong cash flows and consumer-oriented companies who have been impacted on margins and volumes could lag. Tech companies could continue to report strong earnings on account of both deal flows and weak rupee. Study of Nifty 50 companies' reveal that nearly 75% of the Index weightage companies are not affected by commodities prices directly and hence margins should remain intact. Indian markets should therefore sustain with more resilience due to the commodity shocks if it is for shorter periods. Also, these commodity prices are not sustainable for longer duration and should cool off.

We recommend investors to remain invested through this current turmoil and use additional liquidity and cash flows if any to top-up their existing equity allocations with a view of the next 3 years. We should see the current turmoil as an opportunity as valuation correction from the recent highs and give investors an opportunity to build their long-term portfolio.

Portfolio Positioning
While our investments approach has been of bottom-up, we continue to rationalize our portfolio continuously, track the portfolios liquidity and add wherever we feel comfortable on growth and valuations.

Wishing you the best from KRIIS team and stay safe.

Thanks with Regards,
CA Rakesh Doshi
Principal Officer & Fund Manager
KRIIS – The Portfolio Management Company