

1st April, 2026

Dear Investor,

Market turned extremely volatile with Nifty benchmark coming of to 22331 from 25179 decline 12%, with war in West Asia due to US-Israel and the Iran since 28th Feb 2026. The main reason being the crude availability from the Strait of Hormus and thereby the price spike that followed. Nifty benchmark continued its downward spiral since the beginning of March 2026 with expectation of longevity of war, crude spiking to \$114 a barrel, rupees depreciating to 95 for a dollar, and FPI continuous selling. Currency depreciation led to worry of global inflation and domestic inflation.

War disruptions remain short term:

For the last few quarters, the narrative was simple: India growth is strong, Capex cycle is back, Order books are at record highs, higher GDP growth with low inflation. But over the past few weeks, something has changed. However we feel that most disruptions could be short term and normalcy would prevail.

- The ongoing West Asia conflict has disrupted critical energy routes, with shipping through key corridors like the Strait of Hormuz collapsing sharply
- Raw material supply chains—steel, chemicals, fertilisers—are facing delays, shortages, and cost spikes
- Logistics and freight costs are rising, while the rupee has weakened, non availability of containers and ship liners adding imported inflation pressure
- Gas shortages and plastics /polymers are impacting industrial production.
- Supply chains are becoming unpredictable again.

India remains resilient so far:

1. Demand remains resilient across sector till now. There is no visible demand destruction so far. Most of sectors in-fact said demand has been quite decent till now. For eg: most power equipments, auto ancillary companies indicated schedules for even April–May remain healthy. However, given recent price increases across sector, some moderation in demand over the coming months cannot be ruled out.

2. Margins remain stable as companies are still consuming lower-cost inventory. Price hikes have been meaningful across sectors, and most corporates are proactively securing raw material supplies to ensure business continuity. However if situation persist then margin headwind could be seen in 1Q and part could be negated by higher top-line growth.

3. Shift towards shorter-term contracts: There is a clear preference for shorter-duration contracts—fortnightly or monthly—on both raw materials and finished goods. With uncertainty around commodity prices, companies are avoiding long-term commitments at elevated levels.

4. Unorganised sector under pressure, market share shift to leaders across sectors Smaller players are facing challenges due to working capital constraints and raw material volatility. This is leading to a gradual shift in market share towards stronger companies.

5. Labour availability becoming a constraint for MSMEs: Several companies highlighted emerging labour challenges. In certain pockets, workers are returning to their villages due to issues like LPG availability, upcoming elections, and lingering fears of a Covid-like disruption. This is beginning to impact operations across small scale industries.

6. Logistics disruptions increasing lead times: Logistics is becoming a bottleneck, with fuel availability at highways turning inconsistent. Delivery timelines, which were earlier around 4 days, are now stretching to 7–8 days in many cases. Freight rates from China to India has gone by 2x.

7. Chemicals sector seeing tailwinds: The chemical sector continues to witness strong demand. Supply pressures from China have eased due to logistics disruptions and currency movements, supporting better spreads. However, raw material availability remains a constraint.

8. Innovation and adaptability on display Encouragingly, companies are responding with agility. For instance, some AC/EMS players that were dependent on gas cylinders for welding and paint shops are now shifting to alternative processes like oxy-acetylene, helping mitigate supply disruptions and maintain continuity.

9. Preparing for structurally higher energy costs Many corporates believe that even if the war subsides, oil prices may remain elevated. Countries are likely to build strategic reserves after this energy shock, keeping demand firm. As a result, the entire oil value chain could see sustained inflation—creating top-line tailwinds for several sectors.

10. Inflation: not all bad for earnings A moderate level of inflation is often supportive for corporate earnings and nominal GDP growth, as it drives higher realisations and revenue growth. While there could be some pressure on margins and currency in the near term, the overall setup remains constructive. Periods like these often accelerate market share gains for stronger players, while also setting the stage for nominal growth tailwinds in an inflationary environment.

Outlook and Valuations:

We strongly feel one should take a longer-term perspective, post the healthy correction and with valuation becoming reasonable. War has always provided good investment opportunity due to fear factor and uncertainty in the past. Lets remember most hostilities does not last long though it has created a unusual energy uncertainty for passage of crude and goods. Government has maintained best of diplomatic relationship across the countries. We feel that this are short term hiccups and countries involved cannot afford for war for long. We firmly believe that India is on the right path to become a third largest world economy going forward.

Thanks with Regards,
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