

5th May, 2026

Dear Investor,

On the announcement of cease fire by US the market gave a thumbs up after extremely volatility in March with Nifty benchmark touching 24601, up 10%. The cease fire has been fragile with both sides not coming to diplomatic solution and with fatigue factor setting in to continue with kinetic force US has been creating economic pressure with the blockade of Iran oil supply. The general expectations are the agreement would be reached shortly between US and Iran.

Another important was the results of the 4 states that went into polls. BJP has won another state of West Bengal and retained the Assam for the third term with higher seats. This should add to positive sentiment domestically.

#### **War disruptions continues...**

- The ongoing West Asia conflict has disrupted critical energy routes, with shipping through key corridors like the Strait of Hormuz collapsing sharply with both US and Iran
- Raw material supply chains—steel, chemicals, fertilisers—are facing delays, shortages, and cost increases.
- 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 and costs.

#### **Policy Push Across Key Sectors**

The Middle East conflict has exposed India's dependence on imports for energy and critical inputs. Policymakers are responding with a clear focus on reducing risks and building domestic strength.

**Energy:** India imports 85% of its crude oil and 50% of its natural gas. The strategy includes expanding strategic reserves, increasing domestic coal production and gasification, scaling up renewables with better grid support, and accelerating nuclear projects. Domestic coal remains a key buffer for power stability.

**Fertilisers:** Dependence on imported DAP and MOP has often inflated subsidy bills. The government is boosting domestic urea capacity, diversifying import sources, and promoting efficient nutrient use to protect farmers and control fiscal costs.

**Defence:** Spending is shifting from cyclical to structural. India aims to raise defence outlays from around 2% to 2.5% of GDP by FY31. Strong emphasis on indigenisation and private sector participation is already visible in recent orders. India is also looking to tap huge opportunities on the exports front especially Europe and Global south.



**Data Centres:** Geopolitical uncertainty is encouraging global players to diversify. Combined with India's data localisation policies, this is driving strong growth. We expect data centre capacity to rise from 1.8 GW now to 10.5 GW by FY31.

**Constructive View on Growth and Markets**

KRIIS remains positive on India's medium-term trajectory, with real GDP growth anchored at 7%. The bigger investment push should create a virtuous cycle of higher capital formation and stronger corporate profitability.

**Outlook and Valuations:**

We strongly feel that in the longer-term perspective looks good in equities, post the healthy correction and with valuation becoming reasonable. Government has maintained best of diplomatic relationship across the countries. We feel that this are short term hiccups and most 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,**

**CA Rakesh Doshi**

**Principal Officer & Fund Manager**

**KRIIS – The Portfolio Management Company**