

# Strategy Note

## Navigating through Turbulent Times

4<sup>th</sup> March 2026

## What has happened – “Its all about Strait of Hormuz”

- **US-Iran war → Energy prices higher on the back of logistical constraints**
- Following are the **3 probabilistic scenarios** we are working with:

Scenario	Probability	Implication
Base Case - US Claims victory soon; Strait of Hormuz normalizes	60%	Energy prices rise temporarily, But fall only partially resulting in higher final energy prices
Extended Conflict - War continues similar to the Russia-Ukraine & Yom Kippur war Scenario	25%	Inflationary pressure due to energy price hike. Here energy spikes may be more volatile in nature, similar to Russia-Ukraine (crude went ~133\$/barrel)
Prolonged Escalation - War continues for a long time	15%	Sustained disruptions remain, increasing global inflation for longer periods. Oil prices can be higher for longer; However, they will have a cap as other means of energy will find its way

**We are working with the Base Case scenario assumption**

## Suggested action plan

- **India remains structurally favourable –**
  - Earnings growth visible
  - Macro fundamentals sound
  - Political scenario offering stability
- **Use this volatility to migrate portfolio from old regime to new regime**
- **Equity Strategy: Full Allocation, but not overweight YET**
  - Shift allocation from asset-light to asset-heavy companies
  - Be clear around frameworks for Growth, GARP and Value; what to expect around them
  - Focus on Upside capture vis-à-vis downside risk management (go for growth over being defensive).
- **Yielding assets:**
  - REITs/InvITs
  - Income plus Arbitrage FOFs
  - Dividend-yielding stocks
- **Global allocation:**
  - Opportunities not present in India – Mining cos, EM’s, etc.
- **Precious metals allocation:**
  - Gold remains asset class of the decade, although **we prefer Indian equities for the next 3 to 5 years**

# Our Understanding

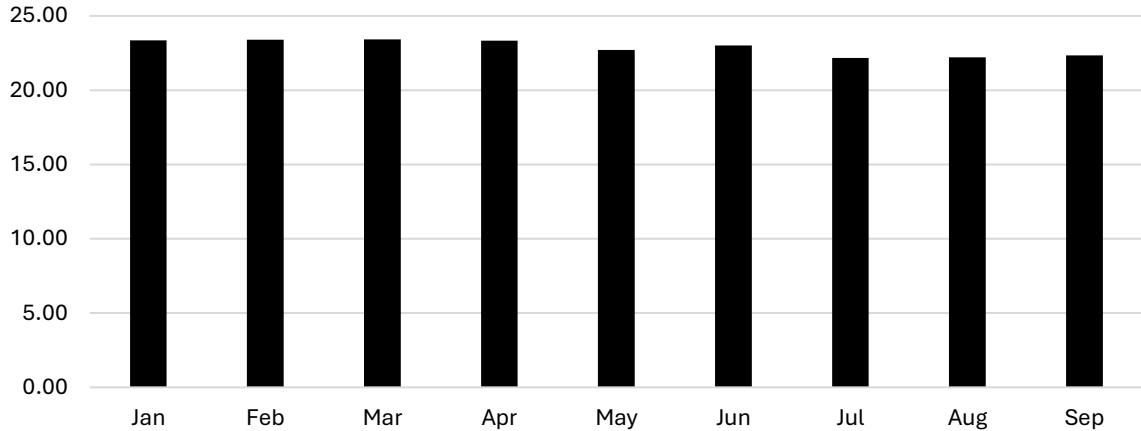
- **US & Israel offensive** – US and Israel have launched a major military offensive against Iran on Feb 28, 2026, killing the Iran Supreme Leader Khamenei and targeting Iran’s nuclear facilities.
- **Iran retaliation** – Iran has retaliated with aggressive strikes across Gulf countries including UAE, Saudi Arabia (Oil refinery & infrastructure), Qatar (LNG facilities), Bahrain.
- **Iran forms 3-member Interim Leadership Council (not giving up easily)** – Consisting of the President, Chief Justice and Senior Guardian Council, now expected to be making the decisions along with the IRGC. Unlike expectations, an immediate peace resolution appears increasingly unlikely.
- **US Secretary of State commentary** – Marco Rubio and Trump have signalled they are aiming to finish the conflict within 4-5 weeks; but arms and intelligence supply by Russia and China can prolong this timeline.

# Oil flow through the Strait of Hormuz

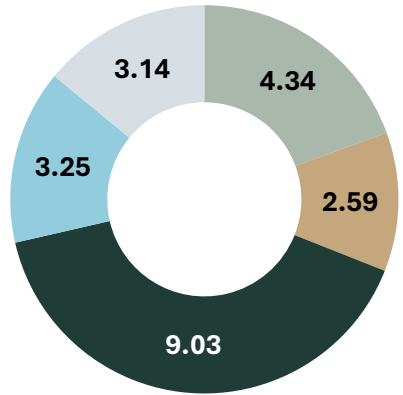


Source: Top-center.org

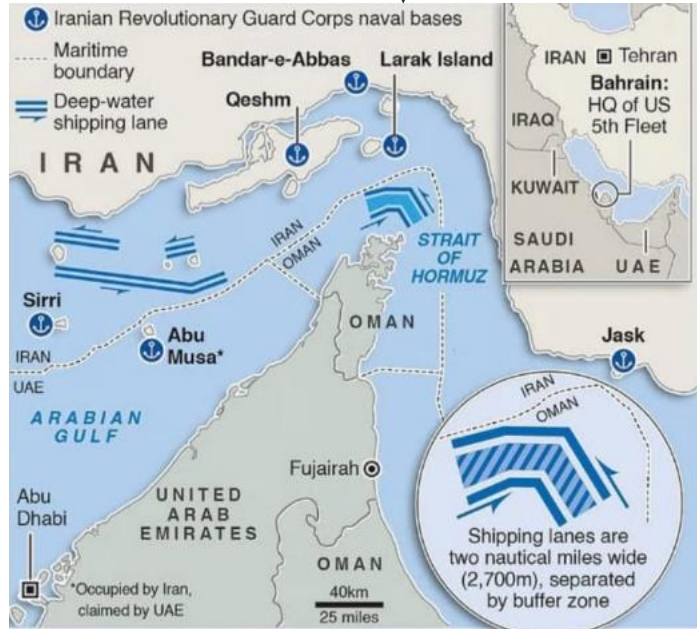
Crude oil production, Million barrels / day (2023)



Monthly oil flow, Million barrels / day (2023)



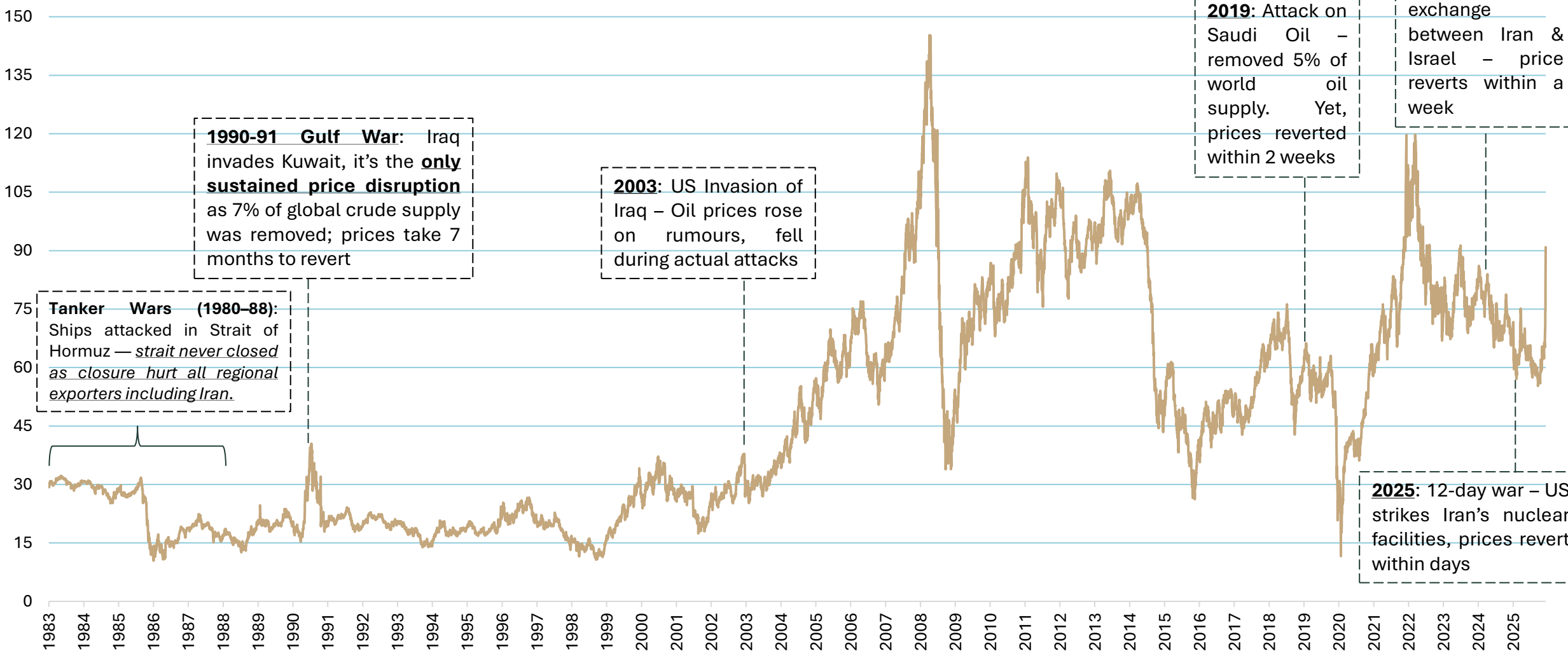
■ Iraq ■ Kuwait ■ Saudi Arabia ■ UAE ■ Iran



Source: IEA, Reuters

# History of Crude disruptions involving the Middle East

Crude Oil WTI Futures, USD/Barrel



Source: Investing.com

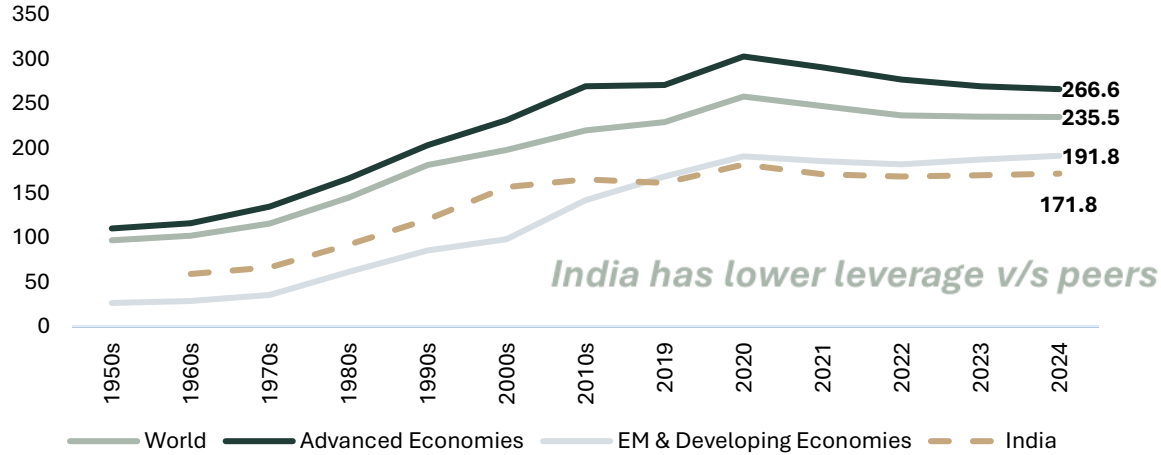
# Strait of Hormuz has never been officially closed in history

- Throughout multiple instances involving tensions in the Middle East, the Strait of Hormuz has never been closed. **Every geopolitical event has seen the price of Crude oil to spike and revert back within weeks if not days**
- The **only** time there was a sustained disruption was during the 1990 Gulf War – which involved UN sanctions on Iraq and Kuwait – which involved the removal of 7% of global supply
- The market shouldn't compare the current scenario to the 1973 Oil embargo or the 1979 Iranian revolution as it was **before developments like:**
  - Emergency stockpiles
  - US Shale boom
  - US being a net oil exporter
- **The speed with which markets adapt to Middle East shocks is accelerating:**
  - The timeframe between Panic → Verification → Normalization is going down from months to weeks
- **“This time is different”** factors:
  - Iran ballistic missiles and drones are more advanced than ever
  - US is more energy independent, **but the West isn't**
  - **OPEC has spare capacity** – providing a buffer
- **Closure of the Strait of Hormuz would be a Black Swan event – one where the entire Middle East loses out on their primary source of revenue, including Iran. Closing it would be an act of self-destruction**

- **Oil shock** — 85%+ of crude imports transit Strait of Hormuz; a sustained disruption could spike Brent higher
- **LNG/LPG disruption** — Qatar & UAE supply **53% of India's LNG**; already impacted
- **Pakistan Afghanistan war** might have ripple effects in India as well
- If the negative sentiment lasts longer than expected, FIIs might sell India further
- **Indian Diaspora** — ~9 million Indians in the Gulf; remittance flows at risk
- **Trade & diplomacy** — strains India's GCC relationships and complicates the US trade deal in progress
- **Rupee & inflation weakening** — higher oil import bill = dollar demand surge = weaker rupee = imported inflation

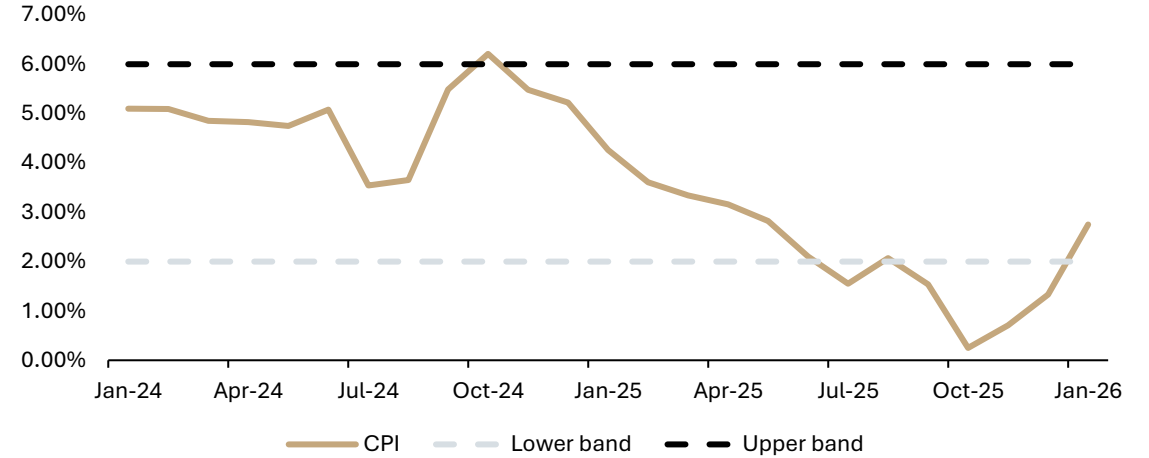
# India macro fundamentals remain strong

### Total Debt (% of GDP)



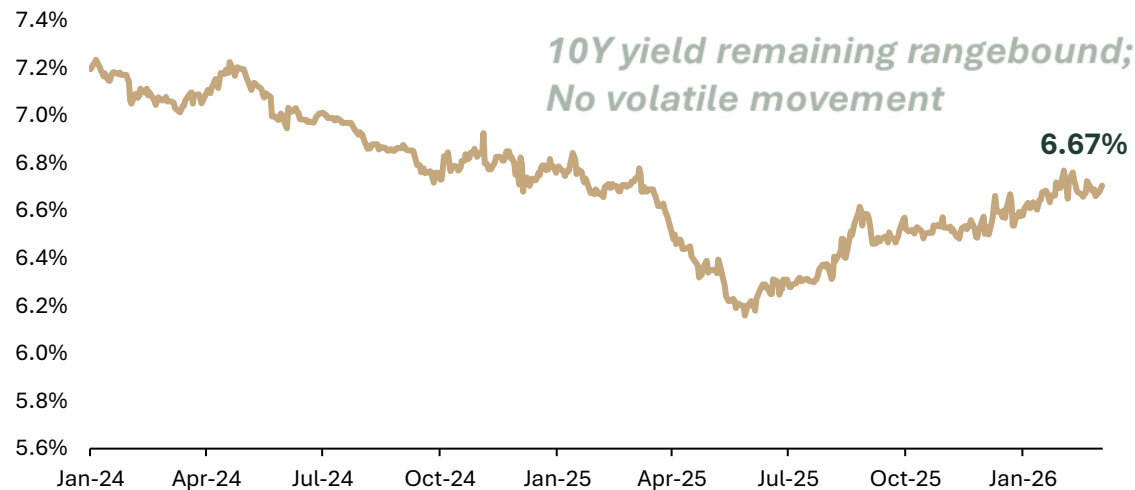
Source: IMF, Pravia Research

### Inflation in line



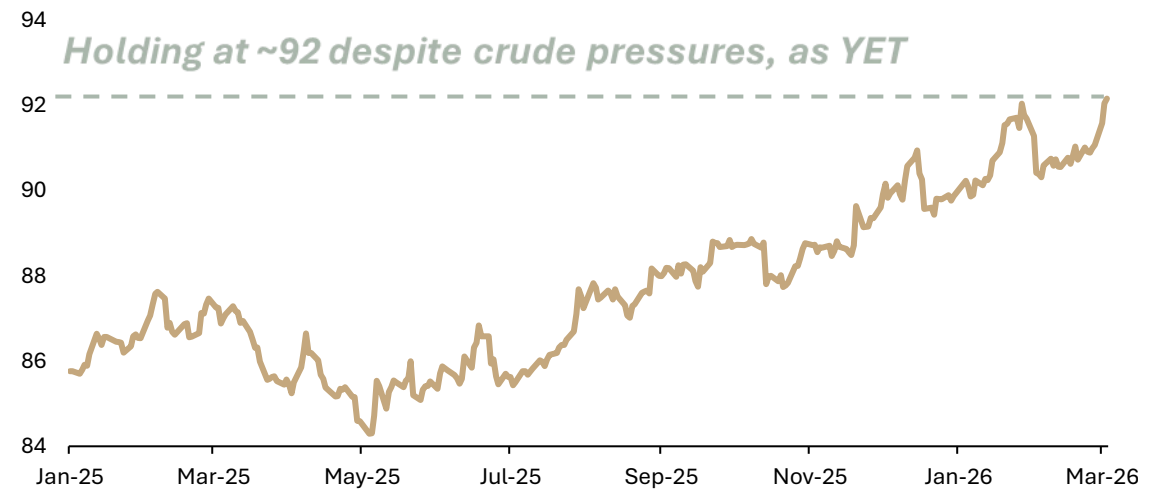
Source: Investing.com

### India 10 Year Bond Yield



Source: Investing.com

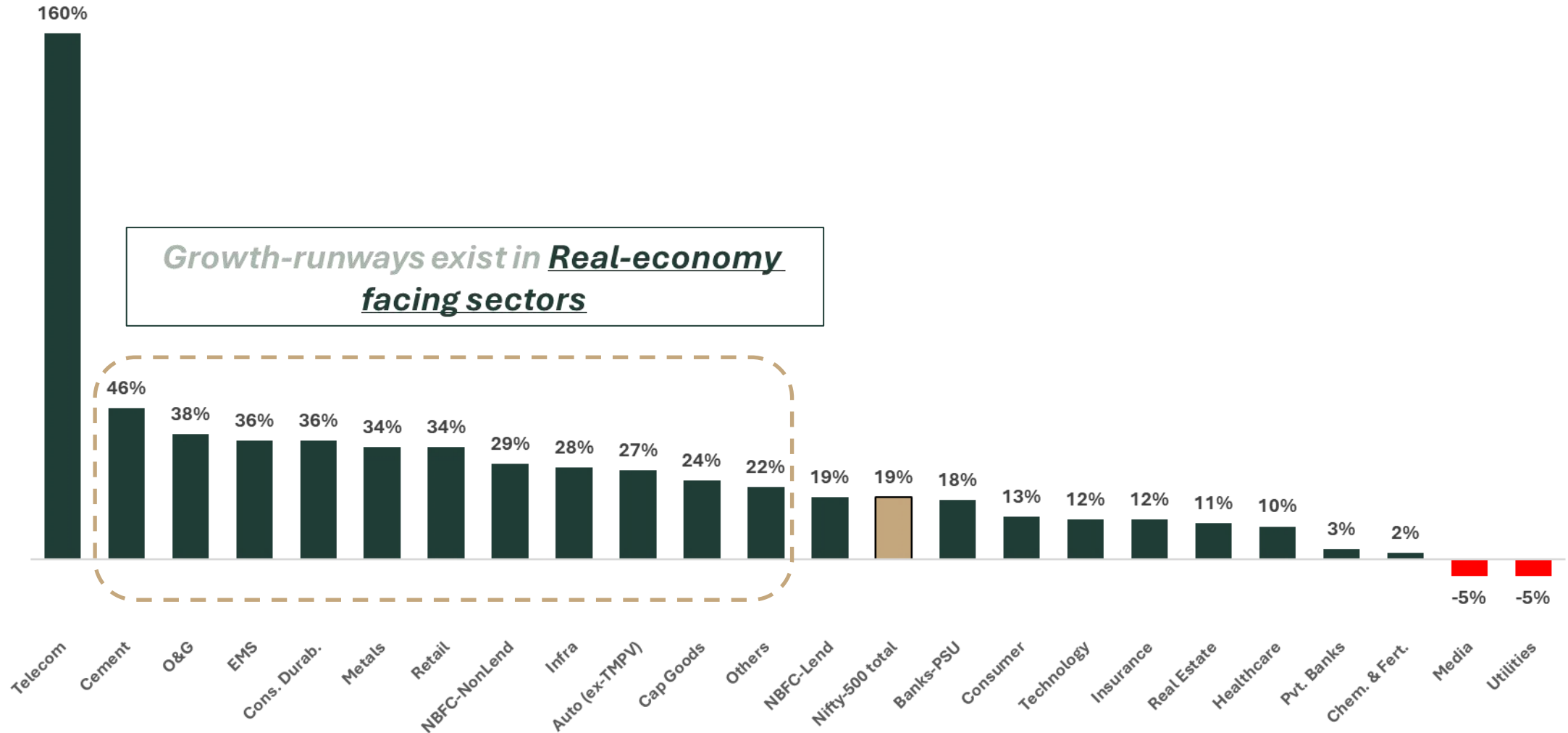
### USD/INR



Source: Investing.com

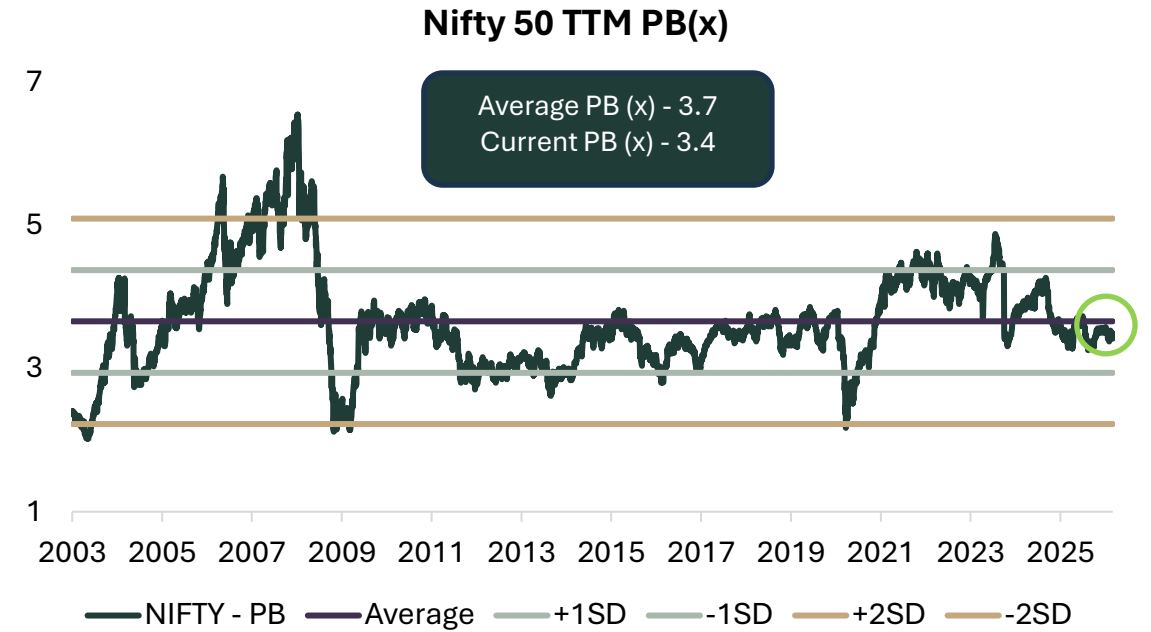
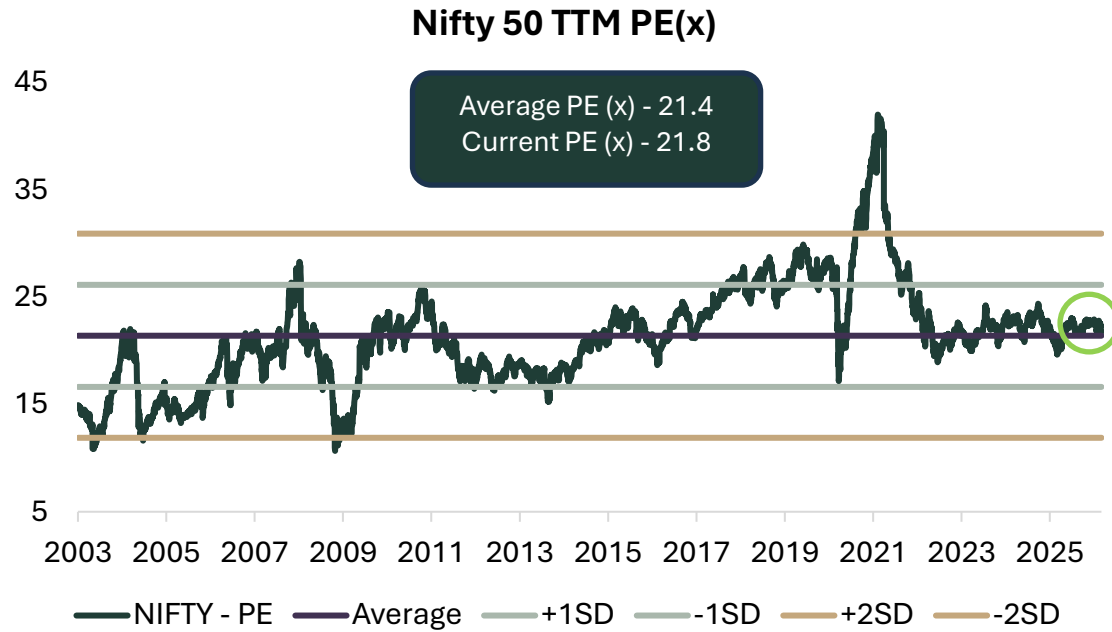
# Q3 FY26 Result – Nifty 500 | Sectoral View

## 3Q FY26 PAT growth YoY



# Indian Market – Valuations & Historical Context

# Nifty 50 – Valuations (barometer for navigation)



From	To	Nifty	Return	EPS Growth	PE Re/(De) Rating
11-Jan-08	05-Mar-09	6,200	-58.44%	-5.33%	-53.11%
06-Mar-09	03-Mar-15	2,620	243.35%	77.53%	165.82%
26-Feb-16	14-Jan-20	7,030	75.86%	16.60%	59.25%
15-Jan-20	20-Mar-20	12,343	-29.15%	2.86%	-32.01%
09-Mar-20	18-Oct-21	10,451	76.79%	49.30%	27.49%
19-Oct-21	22-Jun-22	18,419	-16.32%	22.74%	-39.05%
23-Jun-22	26-Sep-24	15,557	68.52%	33.06%	35.46%
26-Sep-24	02-Mar-26	26,216	-5.15%	6.27%	-11.42%

Source - Trendlyne

Decomposition of Total Returns into EPS growth and PE Multiple (Sentiment):  
While earnings growth has been positive, negative sentiment is pulling returns down.  
  
The negative sentiment is resulting in a good opportunity to invest at the current juncture

# Nifty 50 drawdown analysis

Negative periods	Peak to Trough	Nifty 50 level	Months	Absolute returns
Period 1	14-Jun-96	1,196	30.0	-32%
	01-Dec-98	817		
Period 2	24-Feb-00	1,732	38.5	-47%
	25-Apr-03	924		
Period 3	12-Jan-08	6,200	14.1	-58%
	09-Mar-09	2,573		
Period 4	09-Nov-10	6,302	13.5	-28%
	20-Dec-11	4,544		
Period 5	11-Jun-19	11,966	9.5	-36%
	23-Mar-20	7,610		
Period 6	26-Oct-21	18,268	7.8	-16%
	18-Jun-22	15,294		
Period 7	26-Sep-24	26,216	5.2	-16%
	02-Mar-25	22,125		

Corresponding Positive periods	3Y post Trough	Nifty 50 level	Years	Absolute returns
Period A	01-Dec-98	817	3.0	31%
	01-Dec-01	1,067		
Period B	25-Apr-03	924	3.0	275%
	25-Apr-06	3,463		
Period C	09-Mar-09	2,573	3.0	107%
	09-Mar-12	5,334		
Period D	20-Dec-11	4,544	3.0	81%
	20-Dec-14	8,225		
Period E	23-Mar-20	7,610	3.0	124%
	23-Mar-23	17,077		
Period F	18-Jun-22	15,294	3.0	62%
	18-Jun-25	24,812		
Period G	02-Mar-25	22,125	3.0	?
	02-Mar-28	?		

Source: Investing.com, Pravia Research

**Given markets have gone through a time correction, next 3 years offer a high probability of good returns. However, the drawdown has not been as steep as it was in Covid, hence the upside may not be as broad-based.**

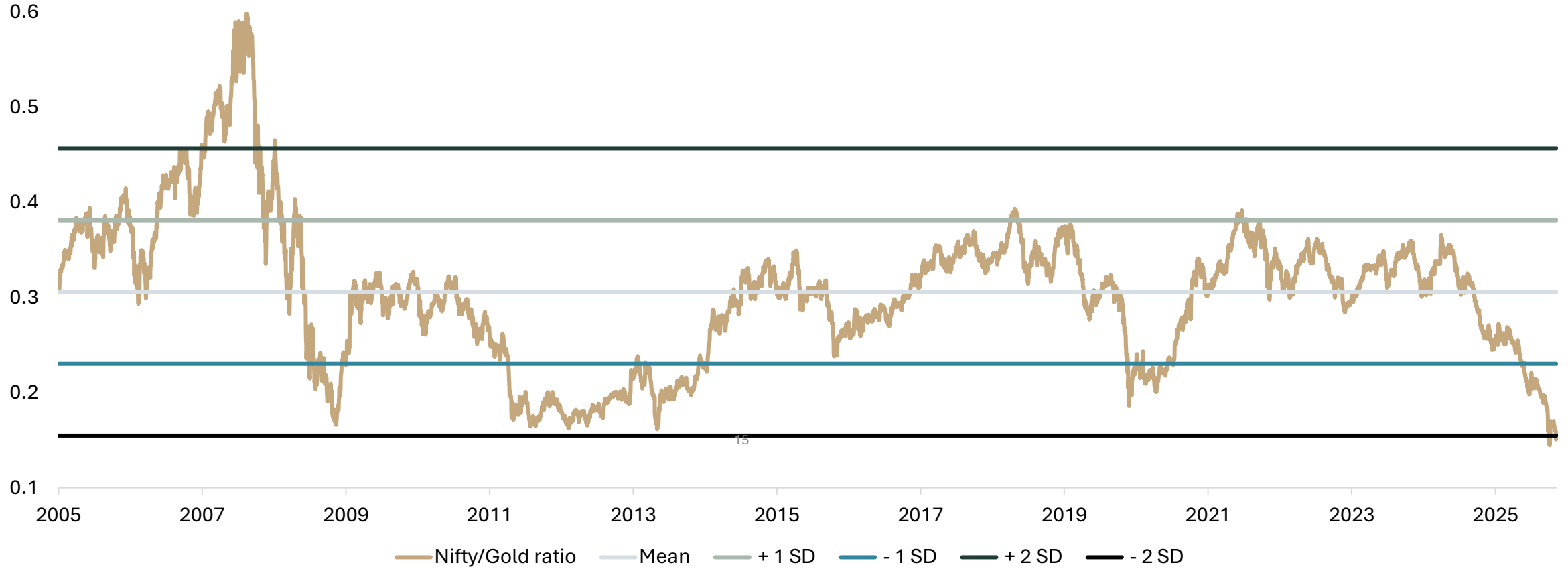
# Nifty 50 - 5 year daily rolling returns



Source – Investing.com

**Current Scenario + Improving macro construct = good allocation opportunity for 5 years**

### Nifty 50/Gold Ratio



Source – MCX, and Investing.com

- Although we feel Gold is the asset class of the decade, at current levels, Nifty 50 is at opportune levels vis-à-vis Gold

# Smallcaps at opportune levels



Source – Trading View; TTM PE(x) – Nifty Small cap 100

- Nifty Smallcap is trading at support levels:
  - Although Valuations aren't as cheap as Covid bottom or the fall in 2023 (*as indicated*), small caps are at an opportune level.

# Investment Strategy

- We reiterate our **positivity around equities**. The current volatility is an opportunity to **transition portfolios from the old framework to the ‘new framework’**.
- **Earnings growth trajectory** is now **clearly visible** and reflected in the quarterly numbers, making the transition well-supported.
- **The shift is rooted in the real economy** — we are moving from asset-light to asset-heavy businesses, positioning the portfolio where tangible economic activity is accelerating.
- **Equity Navigation Strategy** –The TTM P/E (x) of Nifty 50 currently stands at 21.8x, placing it in a favourable accumulation phase – **focusing on upside capture over downside risk management.**

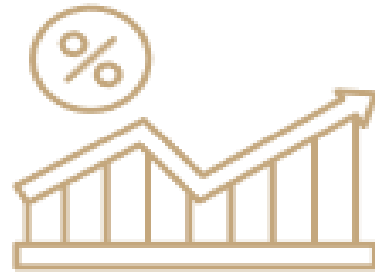
Index PE Band*	Nifty Range	Action	Deployment
>22	25,500 - 27,800	Cautious	6–9 month stagger
20–22x	23,200 - 25,500	Accumulate Steadily	3 month stagger
<20	20,900 - 23,200	Aggressive Deployment	Bullet allocation

**\*TTM EPS of 1,160, Source - Trendlyne**



## Growth – ICM\*

- Infrastructure
- Consumption
- Manufacturing
- Healthcare
- Travel & Tourism
- Sector leaders at reasonable valuations



## Yielding

- InVITs –
  - PowerGrid, IndiGrid
- High dividend yield Stocks –
- NMDC, OFSS, Vedanta, Coal India, Castrol, etc.



## Safety

- Gold is the preferred asset class of the decade, continue to remain positive
- Income Plus Arbitrage FOFs – due to favourable post tax returns



## Offshore

- Mining Companies
- Uranium, copper, etc.
- Commodity Oriented Emerging Markets
- Other niche opportunities

\*ICM – Infrastructure, Consumption, Manufacturing

## Infrastructure & Logistics (I)

- **Metals, mining & REE\*** – favourable commodity cycle, high dividend yields
- **Energy** – grids, thermal, OMCs, capital goods cos., oil producing companies
- **Infra build-out** – roads, rail, ports

*\*REE – Rare Earth Elements*

***\*Recommendations are for clients only***

## Consumption (C)

- **New Age & Digital Consumer** — structural shift in consumption patterns
- **Discretionary** — pent-up demand and premiumization trends
- **QSR / Food & Beverages** — selective opportunities
- **Healthcare** – hospitals, diagnostic centers, CDMO, medical tourism
- **Tourism** – higher travel spending, disrupted tourism in the middle-east.
- **Consumer Durables** – growing GDP/capita

## Manufacturing (M)

- **EMS (Electronics Manufacturing Services)** — structural import substitution play
- **Auto & Auto Ancillaries** — domestic demand + EV transition
- **Textiles** — PLI beneficiary, China+1 opportunity
- **Specialty Chemicals** — import substitution, export-oriented recovery
- **Robotics, Automation & Productivity enhancement** – thematic allocation
- **Defence – indigenization, leadership positions available**



# Our View

- Current market volatility, however transient, presents a compelling opportunity to **transition from the older framework portfolio to the new framework portfolio** — now is the time to act, not retreat.
- We advocate an **aggressive transition stance** into the newer framework, resisting the urge to turn defensive amid short-term noise. **We thereby focus on capturing the upside rather than active downside protection.**
- Equity allocation to be moved to **full allocation as per the roadmap** — not overweight, but fully deployed as planned.
- **Small-cap index/active funds** to be introduced and scaled aggressively as part of the new allocation strategy.
- We do not anticipate a Covid-scale drawdown; commensurately, the recovery and rally are unlikely to be as broad-based as the post-Covid surge.
- Hence, the path forward demands **selectivity** — allocate with conviction into themes with visible, structural growth drivers; avoid sectors where hope substitutes for fundamentals and structural headwinds persist.



**Thank  
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