

## THE SUPER POWER CALLED RESILIENCE

It is your reaction to adversity, not adversity itself, that determines what shape your life takes.

The Iran conflict started at the end of February. Within a few weeks, the strait of Hormuz was closed and not only the price but the availability of energy became a big question. And the war which was supposed to be a short disruption continues to drag on with no end in sight.

Given this backdrop, the expectations from the Q1 results were muted. How can companies be expected to do well in such a tough environment. But, the numbers delivered really surprised the optimists, us included.

Data on Q1 FY27 Results:

| CORPORATE EARNINGS | YOY PAT GROWTH % |
|--------------------|------------------|
| ALL LISTED         | 19.2%            |
| SMALL CAPS         | 32.8%            |
| MID CAPS           | 28.7%            |
| LARGE CAPS         | 13.9%            |

Source: SageOne Corporate Presentation

Makes us wonder. Have the back to back disruptions of Covid, Ukraine and now Iran made us stronger? Antifragile from Taleb comes to mind, where pressure and uncertainty end up strengthening something instead of breaking it. Superheros in the Marvel universe are also made like that. Accidental exposure to radiation that leads to superpowers.

Marvel leads us to vigilantes, the ones who love bonds and have a say on how a country's balance sheet should look. The US bond markets look nervous. Bullion seems ready for the next leg up. The AI monster has incinerated the easily available equity capital and is now hungry for debt. With the large issuer balance sheets looking stronger than the US government, sooner or later the bond markets will face the question of choosing one over the other. In this demand – supply scenario the supply seems to be growing too rapidly for the bond markets to adjust.

Which leads to another second order effect – AI is already dominant in retirement plans linked to equity (45% of the S&P 500). If the debt of these large pools of capital also starts flowing to AI, what happens when this valuation bubble deflates? It will definitely not be pretty when it eventually does.

Coming back to India, looks like resilience has got inbuilt in the system because of back to back disruptions. For once, we can't wait to see the magic that corporate India can deliver once things do normalise.



# WHAT WE LIKE

## STOCK

One of the best plays on the unorganized to organized themes, **Lenskart** has delivered on its promise by getting the manufacturing, tech and retailing aligned, which combine to create a very good moat. India's eyewear market remains close to 90% unorganized and with rising disposable incomes, customers are tilting more towards branded, tech led players.

It is also emerging as a multinational company in the making, one with significant use cases in the AI world, now spanning 14 countries with over 2,700 stores.

The company's same store sales in India grew 18.3% last year, driven by rising footfall and deeper penetration across existing neighbourhoods. Vertical integration across manufacturing and retail gives it control over cost and delivery timelines, an edge its asset light peers don't share. That edge is now converting into pure operating leverage, with EBITDA compounding at an 88% CAGR and profit scaling at an exceptional 110% over the past three years.

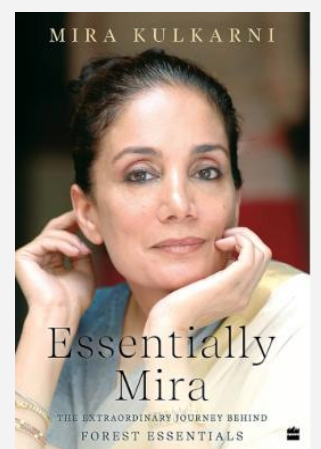
The company has executed supremely well post its listing and beyond. With free cash flow jumping 17x from INR 50 Cr in FY24 to INR 841 Cr in FY26, the business has clearly turned sustainable. At this rate of compounding and the long runway ahead, the bigger value creation is yet to come.

## BOOK

From fragrant candles and soaps to India's first luxury Ayurveda beauty empire, Mira Kulkarni built Forest Essentials as a single mother who rose above all odds to create an entirely new category and a world known brand.

This month, we're picking up *Essentially Mira*, which is as much her story and also the story of the company she built. Two decades of turning Ayurvedic processes into a billion dollar, globally recognized brand. Solving the big issue – will customers accept and pay for a premium luxury brand? Multiple awards and recognitions later, the answer was very clear.

With Estée Lauder now moving to acquire full ownership after an 18 year partnership, this is a fitting time to look back at how Forest Essentials got here.



## MOVIE

Set against 1978 India, this is the story of an ambitious plan to build a homegrown watch brand strong enough to outshine in a market ruled by smugglers and foreign labels. What followed was years of bureaucratic walls, financial setbacks and an overseas bet risky enough to push the entire venture to the edge of collapse.

What stands out is the strong belief of the team in the idea and the total backing of the Tata group in ensuring that the dream became a reality.

*Made in India: A Titan Story* traces this journey, from a promising idea to one of India's most recognized consumer brands. Watch it on Prime Video.

