

AN OASIS CALLED INDIA

The year has started on an eventful note. The Venezuela operation was smooth and an eye-opener for us. Not a bullet was fired and the president was in the custody of the US. Iran is ongoing and may not go on for too long, in our view. The question is what happens when this is over. If the strong men with militia take over post the power vacuum it will be a failed effort. The best outcome will be going back to democracy for the people to choose their government. The other question is who's next? Cuba? Greenland? Canada? We have 3 more years to find out how much real estate gets added to the US territory in the next few years.

Our own neighbourhood is also seeing a lot of turbulence. Pakistan and Afghanistan conflict. Bangladesh too, we hope the new government there settles down fast and takes charge of the situation.

India seems like an oasis in the middle of all this. Brings us to how important a stable government at the centre means for the country. We have seen it multiple times now – the handling of the Covid crisis, multiple skirmishes with our 2 neighbours, handling of the Russia – Ukraine war and the continuous strengthening of the Indian economy and industry. We are indeed blessed to have the current leadership deftly navigating these situations with finesse for fallout long-term prosperity of the country. More power to us!!

Which brings us to the fallout from the current situation.

What happens to the smaller nation states in a world where might is right? How would Dubai, Singapore, Switzerland and many other small and prosperous nations navigate this?

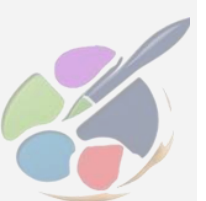
Countries that are self-sufficient are better placed. We are seeing the unravelling of globalisation. The reversal of the trend that has been on post world war 2 is really picking up pace.

Defence spending for everyone will go up. How will countries whose appeal is low taxes for residents raise the resources for this?

India is well placed in this backdrop – our size, young population and a solid government balance sheet are distinct advantages. Energy imports are a big unresolved issue. We should accelerate our thermal and nuclear power plant plans and build an even larger gas infrastructure grid. The AI apocalypse will need to be deftly handled too.

We will also benefit from our positioning in this world. India is no one's enemy and everyone's friend. We don't get into skirmishes unless threatened or provoked – use of military power is always the last option. We are the only culture in the world that gave up power after being at the peak. Not after losing a war or an economic crisis. Just voluntarily. That's who we are and we must be proud of the fact.

As for investments and asset allocations, as we said in last month's newsletter – we cannot predict but we can prepare. High valuations will be unsustainable in the current backdrop. It is back to basics, being conservative and putting in the work for generating alpha.



WHAT WE LIKE

STOCK



This time we cover ITC which has evolved from a pure-play tobacco company into India's most diversified conglomerate. Yet their tobacco business remains the bedrock of its financial strength — contributing to 40% of its revenues with EBITDA margins consistently in the 35–40% range.

With a 75%+ market share in the domestic cigarette industry, ITC's competitive moat is near-impenetrable. The inelastic nature of demand provides exceptional pricing power — validated when ITC successfully absorbed excise duty hikes announced at the start of the new calendar year by passing on calibrated 20–40% price increases across key brand categories, keeping volume and margins impact minimal.

From an earnings standpoint, even a low-to-mid single-digit price hike will translate into meaningful operating leverage, especially if volume decline remains contained. The high contribution margins will amplify incremental realizations into meaningful profitability expansion.

Its diversified business structure acts as a natural earnings buffer in elevated tax regimes — with its FMCG business contributing 25%+ of revenues, underpinned by an accelerating pace of 100+ new product launches. The Agri business lends further structural resilience, anchored by deep farmer integration through the MAARS digital platform. The recent demerger of ITC Hotels underscores management's intent to unlock value across every vertical, while a 4%+ dividend yield stands as testament to the sheer quality of its free cash flow generation.

ITC's long-term catalysts remain firmly intact. Backed by resilient margins, disciplined pricing strategy and enduring brand strength, it stands out as a high-conviction stock to buy at current levels.

BOOK

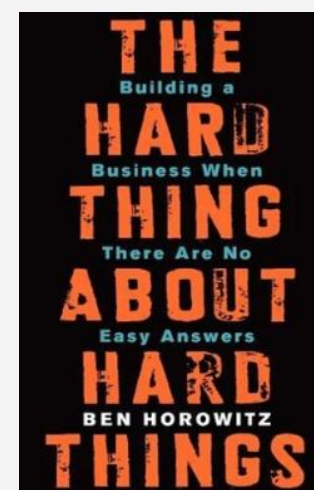
What separates good leaders from truly great ones?

The Hard Thing About Hard Things strips away the glamour of entrepreneurship and confronts the raw, unfiltered reality of building a business.

Ben Horowitz, Silicon Valley legend who co-founded two billion-dollar businesses, draws from his remarkable journey as a founder and investor to share insights that are equal parts wisdom and wit.

From navigating near-bankruptcy to making impossible decisions, this book is a masterclass in leadership, resilience and clarity when the stakes are highest.

More than a business book, it's a survival guide — one that reminds us that every challenge carries within it an opportunity to grow stronger. Because in business, the hardest things are always the most important ones.



MOVIE

In a world run by algorithms, metrics and boardroom approvals — Ken Miles was us.

Ford v Ferrari is not merely a racing film — it's your brilliance sidelined for *optics*. Shelby and Miles didn't just build a car — they fought a system that rewards compliance over genius. Sound familiar?

The Le Mans sequences will leave your heart in your throat — raw, deafening, visceral. The film earned two Academy Awards. Yet its greatest prize remains uncelebrated: a man who won a race history never officially credited him for.

This film makes you aspire for greatness. Watch it on Jio Hotstar.

