Envision Capital

Short-Term Turbulence, Long-Term Opportunity

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A World Experiencing Turbulence

Over the past few weeks, global markets have been navigating a renewed wave of geopolitical tensions following the escalation of conflict involving Iran and Israel. The most immediate consequence has been disruption in global energy markets.

One of the most critical developments has been the closure of the Strait of Hormuz, a narrow but strategically vital maritime corridor through which nearly 20% of global petroleum liquids trade flows. As supply risks intensified, crude oil prices surged above $100 per barrel, reflecting concerns around global energy security and inflationary pressures. *(Source: U.S. Energy Information Administration – EIA)*

For energy-importing nations such as India, developments like these inevitably raise questions about macroeconomic implications — from inflation and trade balances to currency movements.

Financial markets often react quickly to such uncertainty. However, history reminds us that while geopolitical shocks can create volatility in the short term, they rarely alter the long-term trajectory of resilient economies.

"Nearly 20% of the world's oil trade passes through the Strait of Hormuz — reminding markets how quickly geopolitical events can reshape global energy dynamics." *(Source: U.S. Energy Information Administration)*

Looking Back: Lessons from the COVID Shock

When considering events of comparable magnitude in recent history, the COVID-19 pandemic stands out.

The pandemic triggered one of the sharpest global market drawdowns in modern history. Economic activity halted across countries, supply chains were disrupted, and uncertainty dominated investor sentiment.

India experienced the same initial shock. Yet the period that followed demonstrated the resilience of both the Indian economy and its corporate sector.

In the years following the pandemic, businesses adapted rapidly. Companies embraced digitalisation, strengthened balance sheets, and leveraged new opportunities created by changing consumer behaviour. Markets, after the initial drawdown in March 2020, staged a strong recovery supported by robust earnings growth and structural economic tailwinds.

The experience reinforced an important lesson for long-term investors: periods of disruption often prove temporary, while structural growth trends tend to endure.

"The COVID shock triggered one of the sharpest global market drawdowns in modern history — yet it was followed by a powerful recovery led by innovation, digitisation, and resilient economies."

Formalization: Strengthening India's Structural Momentum

Even amid global uncertainty, several high-frequency indicators continue to reflect the underlying strength of India's economy.

One of the most visible indicators of economic activity is tax collection. GST collections have remained robust, with monthly revenues consistently crossing ₹1.6 lakh crore and recent figures showing around 8% year-on-year growth. *(Source: Ministry of Finance, Government of India)*

Equally noteworthy is the expansion of the taxpayer base. Over the past decade, the total number of tax payers has grown from approximately 5 crore to more than 12 crore, reflecting the ongoing formalisation of the economy. *(Source: Income Tax Department, The Hindu)*

Despite this progress, estimates suggest that nearly 45% of India's economic activity still operates within the informal sector, indicating that the formalisation journey still

has significant room to unfold. *(Source: NITI Aayog and policy studies on the informal economy)*

For investors, this structural transition from informal to formal economic activity represents a powerful long-term growth driver.

"India's taxpayer base has expanded from roughly 6 million to more than 15 million — a powerful signal of the country's ongoing economic formalisation."
(Source: Income Tax Department, Government of India)

Innovation and Global Partnerships

India's role in global innovation and supply chains continues to deepen.

Global companies are increasingly viewing India not only as a consumer market but also as a hub for engineering talent and technological development. For instance, Airbus recently inaugurated an innovation centre in Bengaluru, strengthening collaboration with India's engineering ecosystem and further integrating the country into global aerospace research and development. *(Source: Airbus press release and Business Standard reporting)*

India's ambitions are also evident in emerging technologies. The recent AI Summit held in New Delhi brought together global technology leaders, policymakers, and researchers, highlighting India's intent to play a meaningful role in the global artificial intelligence ecosystem. The focus on AI infrastructure, talent development, and policy frameworks signals a clear commitment toward building long-term capabilities in this critical area. *(Source: Government releases and media coverage of AI Summit, New Delhi)*

Similarly, Apple marks five years of expanding operations in India this month. During this period, its supply chain partners have created approximately 250,000 direct jobs in the country, highlighting India's growing importance in global electronics manufacturing. *(Source: Reuters and Government of India statements on electronics manufacturing)*

In parallel, global industrial companies are strengthening their manufacturing footprint in India. Bayer has announced plans to expand its presence with a major manufacturing and innovation hub in Bengaluru, reinforcing India's role as a strategic base for

high-value manufacturing and research. *(Source: Business Standard / company announcements)*

Such developments underscore a broader structural shift: India is increasingly becoming a key participant in global production networks — not only as a market, but as a centre for innovation, manufacturing, and technology leadership.

The Next Phase of Industrial Growth

India is also witnessing the emergence of new industrial ecosystems.

Recent initiatives aimed at establishing chemical manufacturing hubs signal the country's continued push toward strengthening domestic industrial capabilities and supply chain resilience. These developments complement India's broader strategy of expanding manufacturing capacity while reducing reliance on external supply chains.

At the same time, technological shifts are creating entirely new sectors.

Electric mobility, for example, is rapidly gaining traction. Electric vehicles now account for roughly 25.6% of certain two-wheeler registrations, with electric two-wheeler sales growing approximately 46% year-on-year. *(Source: Vahan Portal – Ministry of Road Transport and Highways)*

Given that two-wheelers represent the largest segment of India's automobile market, this transition could reshape mobility across the country over the coming decade.

Growth Remains Resilient

Despite geopolitical uncertainty and global volatility, India's macroeconomic growth continues to remain strong.

According to the National Statistical Office, India's GDP expanded 7.8% year-on-year in Q3 FY26, reinforcing its position as one of the fastest-growing major economies in the world.

Domestic consumption, services sector growth, and continued investment in infrastructure remain important drivers of economic expansion.

These underlying structural drivers suggest that India's growth story continues to be supported primarily by domestic fundamentals rather than external conditions alone.

Maintaining a Long-Term Perspective

Geopolitical tensions, oil price shocks, and market volatility have been recurring features of the global economy for decades.

While each episode may create short-term uncertainty, long-term economic progress is typically driven by deeper structural forces — innovation, productivity growth, entrepreneurship, and rising consumption.

India continues to benefit from these structural drivers:

- Ongoing formalisation of the economy
- Rapid digital adoption across sectors
- Expanding manufacturing and supply chains
- Rising entrepreneurial activity
- A large and young consumer base

These forces tend to unfold over decades rather than quarters.

"Geopolitical shocks create volatility — but long-term wealth is created by structural growth, innovation, and disciplined investing."

Looking Ahead

Periods of global uncertainty often test investor conviction. Yet they also provide an opportunity to step back and focus on long-term structural trends rather than short-term noise.

While geopolitical tensions may continue to create volatility in the near term, the underlying drivers of India's growth story remain intact.

At Envision Capital, our focus continues to be on identifying businesses that are positioned to benefit from these structural shifts — companies with durable competitive advantages and the ability to compound value over extended periods.

Short-term turbulence may shape market sentiment, but long-term opportunity continues to be defined by structural growth.

And on that front, the outlook for India remains compelling.

Warm regards,

Tanay Shah

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