Value Research

Wealth Insight

February 2026 ₹150

The Smart Investor's Stock Guide

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Value Research
Wealth Insight
February 2026
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EDITORIAL POLICY

The goal of Wealth Insight, as with all publications from Value Research, is not just limited to generating profitable ideas for its readers; but to also help them in generating a few of their own. We aim to bring independent, unbiased and meticulously-researched stories that will help you in taking better-informed investment decisions, encouraging you to indulge in a bit of research on your own as well.

All our stories are backed by quantitative data. To this, we add rigorous qualitative research obtained by speaking to a wide variety of stakeholders. We firmly stick to our belief of fundamental research and value-oriented approach as the best way to earn wealth in the stock market. Equally important to us is our unwaveringly focus on long term planning.

Simplicity is the hallmark of our style. Our writing style is simple and so is the presentation of ideas, but that should not be construed to mean that we over-simplify.

Read, learn and earn and let's grow and evolve as we undertake this voyage together.

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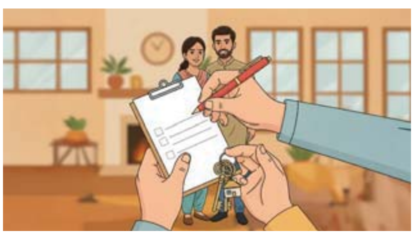

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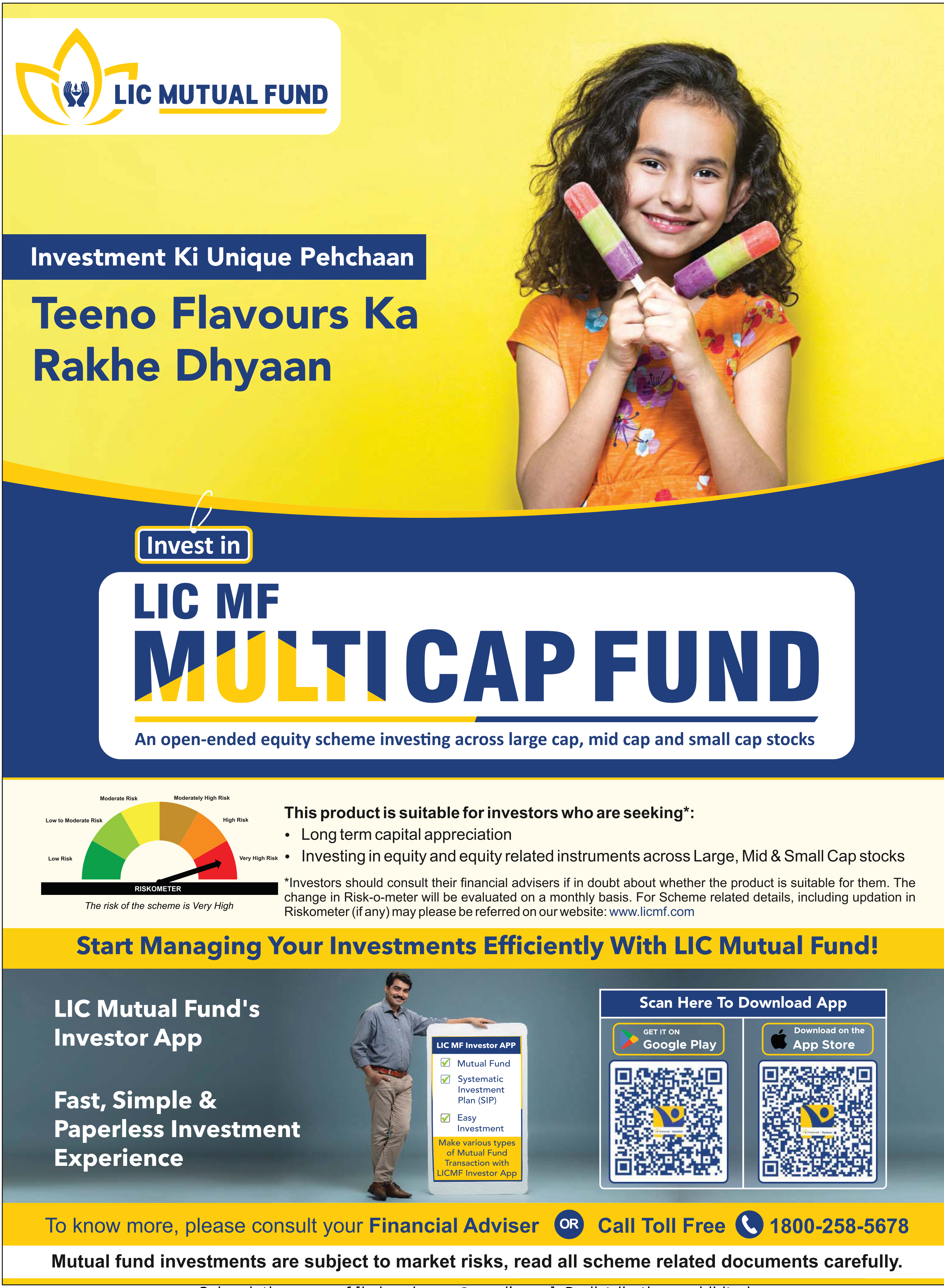
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• Investing in equity and equity related instruments across Large, Mid & Small Cap stocks
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By Dhirendra Kumar

The paradox of information

Why retail investors may still find opportunity where big money can't

For as long as I can remember, the conventional wisdom for retail investors has been to follow the big money. Institutions have research teams, management access and sophisticated models. The individual investor, by contrast, has a laptop and a little bit of time after work and family. The conclusion seems obvious – piggyback on those who know better. It's sensible advice. It's also a trap.

The moment a stock becomes well-researched, widely followed and institutionally owned, the opportunity it once represented largely ceases to exist. Information, in markets, is a peculiar commodity. Unlike most things of value, sharing it doesn't just divide it – it destroys it. When everyone knows something, that knowledge ceases to be worth anything at all. This explains why outperformance in large-cap stocks has become so elusive. It's not that retail investors lack skill or diligence, it's that they're competing in an arena where every scrap of information is analysed, arbitraged and priced in almost instantaneously. The playing field has been optimised to the point where there's nothing left to find.

The story doesn't end there. If excess returns vanish in one part of the market, they must surface somewhere else. Markets are huge and capital, particularly institutional capital, has its limitations. Fund mandates impose minimum market-cap thresholds, liquidity constraints prevent, quarterly performance pressures discourage investments that might take years to pay off. These aren't minor inconveniences; they are structural barriers.

What this means for retail investors is worth thinking about. For years, they've been conditioned to see themselves as disadvantaged participants, but the game itself is changing. The constraints that bind institutions have created pockets of the market that remain structurally inefficient. Not because no one wants to exploit them, but because no one who matters (in terms of capital) can. In these spaces, the retail investor's supposed weaknesses – small position sizes, longer time horizons, freedom from benchmark comparisons – become genuine advantages.

Also, think of how the research landscape is evolving. The traditional edge that institutions enjoyed is being eroded by technology. AI-powered tools now enable individual investors to process company filings, screen for opportunities and conduct due diligence at a scale that would have been unthinkable a decade ago. The gap hasn't closed entirely, but it's narrower than it was.

None of this is an argument for recklessness. The parts of the market where institutions cannot easily operate are also the parts where information is scarcer, volatility is higher and mistakes are more costly. The absence of institutional coverage doesn't guarantee opportunity – it merely suggests that, if it exists, opportunity hasn't yet been competed away. The challenge lies in distinguishing between companies that are ignored because they're too small to matter and those that are ignored because they deserve to be.

This is where discipline becomes essential. If the opportunity in under-researched stocks is real, it follows that the tools for exploiting it must be correspondingly rigorous. Screening for quality, insisting on proven business models and maintaining valuation discipline are essential The inefficiency exists, but capturing it requires a framework that distinguishes genuine opportunities from value traps disguised as hidden gems.

Our cover story this month takes on precisely this challenge. It examines how retail investors can identify and evaluate companies in parts of the market where institutional constraints create genuine opportunities – and how to avoid the pitfalls that make this space treacherous for the unprepared. For those willing to do the work, the rewards may be significant. For those who aren't, the same inefficiency that creates opportunity can just as easily destroy capital.

Adani Group to invest ₹1 lakh crore to scale airports business

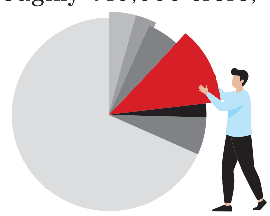
Adani plans to invest ₹1 lakh crore over the next five years to expand its airports business and will bid aggressively in the next round of airport privatisation. It currently operates eight airports and has developed the Navi Mumbai airport, which began operations in December 2025. The investment will fund capacity expansion, modernisation and greenfield development and signals Adani's bet on rising air traffic and non-aeronautical revenue as India's aviation market deepens.

Ola Electric clarifies promoter stake sale was to repay debt

Ola Electric said the recent ₹324 crore promoter stake sale was solely to repay debt and release pledged shares, with no further sale planned. This comes amid heightened scrutiny of governance and capital structure at newly listed companies.

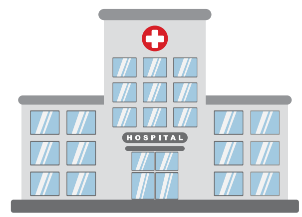
MUFG to buy 20 per cent stake in Shriram Finance for ₹40,000 crore

Japan's Mitsubishi UFJ Financial Group will acquire a 20 per cent stake in Shriram Finance, a leading retail NBFC, for roughly ₹40,000 crore, marking the largest cross-border investment in India's financial sector. The deal gives MUFG exposure to India's fast-growing credit market, while Shriram gains a global partner with deep balance sheet strength and risk management expertise.



RBI announces ₹2 lakh crore bond purchases, ₹91,000 crore swap

RBI unveiled major liquidity-easing measures, announcing ₹2 lakh crore of government bond purchases through open market operations in four tranches between December 29 and January 22. It also conducted a roughly ₹91,000 crore dollar/rupee buy–sell swap for a three-year tenor on January 13, 2026. This was aimed at easing banking system liquidity, stabilising money market rates and ensuring smoother transmission of policy signals amid rising credit demand.



Fortis to acquire People Tree Hospital for ₹430 crore

Fortis Healthcare will acquire Bengaluru-based People Tree Hospital (Yeshwantpur) for ₹430 crore through a 100 per cent buyout of TMI Healthcare. The acquisition adds a 200-bed multi-speciality hospital and strengthens Fortis's footprint in South India. The transaction fits Fortis' strategy of expanding through asset-light acquisitions in urban clusters. With hospital occupancy and ARPOBs improving across the sector, Fortis continues to consolidate scale in markets with strong private healthcare demand.

Adani Group to merge ACC, Orient Cement into Ambuja Cements

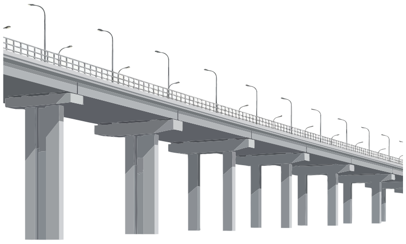
Adani is merging ACC and Orient Cement into Ambuja Cements, creating a unified 'one cement platform'. This is aimed at simplifying the group's cement structure, improving operational efficiency and strengthening market positioning. Ambuja will be the primary listed vehicle for the group's cement business. The move follows Adani's earlier acquisitions and signals a shift from expansion to integration in a competitive market.

India imposes anti-dumping duties on select imports from China

India has imposed anti-dumping duties on imports of cold-rolled non-oriented electrical steel and refrigerant gas R-134a from China, and calcium carbonate filler masterbatch from Vietnam. The measures aim to protect domestic manufacturers from below-cost imports. Anti-dumping duties are typically imposed for five years following investigations by the Directorate General of Trade Remedies. The move reflects India's continued use of trade remedies to support local manufacturing amid global overcapacity in several industrial products.

Titan launches women-focused lifestyle brand called 'beYon'

Titan Company announced the launch of beYon, a women-focused lifestyle brand under the House of Titan. The first exclusive store was slated to open in Mumbai on December 29, 2025. The brand will offer apparel, accessories and lifestyle products aimed at urban working women. The launch marks Titan's attempt to replicate its success in jewellery and eyewear by building a scalable lifestyle brand, while diversifying revenue beyond its core jewellery business.



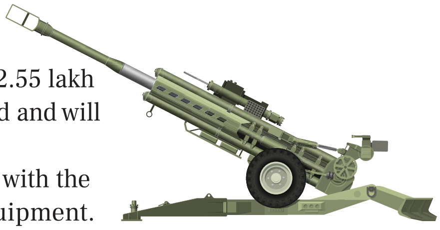
L&T bags huge road project in Hyderabad

Larsen & Toubro secured a significant order valued between ₹1,000 crore and ₹2,500 crore for Phase II of the Hyderabad Greenfield Radial Road project. The contract involves constructing a 22.3 kilometre, 3+3 lane access-controlled road in Ranga Reddy district. The project aims to improve regional connectivity and ease traffic congestion. The order provides visibility to L&T's order book while reinforcing its leadership in large urban transport projects.

Arvind Fashions to buy Flipkart's stake in Arvind Youth Brands

Arvind Fashions will acquire Flipkart's 31.25 per cent stake in Arvind Youth Brands for ₹135 crore, making it a wholly-owned subsidiary. Arvind Youth Brands houses labels such as Flying Machine. The transaction simplifies ownership and gives Arvind Fashions full strategic control over its youth-focused apparel business. The move comes as apparel companies sharpen their focus on brand consolidation and operational efficiency amid a gradually improving discretionary consumption environment.

Bharat Forge wins ₹1,662 crore defence contract



Bharat Forge secured a ₹1,662 crore contract from the defence ministry to supply 2.55 lakh Close Quarter Battle carbines to the army. The carbines are indigenously developed and will be delivered over a defined period. The order strengthens Bharat Forge's defence manufacturing presence and adds to its growing defence order book. It also aligns with the government's push for indigenisation under 'Make in India' in small arms and equipment.

Vodafone Group to provide ₹5,836 crore support to Vodafone Idea

Vodafone Group will provide ₹5,836 crore to Vodafone Idea following a revised agreement to settle contingent liabilities related to the Vodafone-Idea merger. This offers near-term financial relief to the telecom operator, which faces high debt and competitive pressure. While the infusion improves liquidity, Vodafone Idea's long-term revival still hinges on tariff improvements, operational turnaround and clarity on government support measures.

India's solar module capacity jumps to 144 GW in 2025

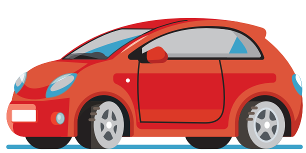
India's solar module manufacturing capacity rose to 144 gigawatts (GW) in 2025, more than doubling from 63 GW in 2024, according to the renewable energy ministry. The addition of 81 GW in a single year reflects aggressive capacity creation driven by policy incentives and import restrictions. While the expansion strengthens self-reliance, it also raises concerns around utilisation, pricing pressure and consolidation if domestic demand and exports fail to keep pace.

Devyani-Sapphire merger to create large QSR giant

Devyani International announced a merger with Sapphire Foods that will create one of India's largest quick-service restaurant operators with over 3,000 KFC and Pizza Hut outlets across India and overseas markets. The merger is expected to deliver scale benefits, supply-chain efficiencies and stronger bargaining power with franchisors. As competition intensifies in the QSR space, scale and execution discipline are becoming critical for profitability amid rising input and rental costs.

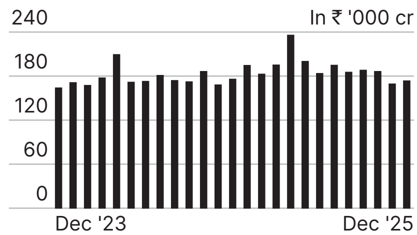
Maruti Suzuki approves ₹4,960 crore spend for second Sanand plant

Maruti Suzuki's board approved ₹4,960 crore towards land acquisition and preparatory expenses for its second plant in Sanand, Gujarat. The facility will be developed in phases with a planned annual capacity of up to 10 lakh units and will become operational by FY29. The move signals confidence in passenger vehicle demand despite near-term volatility in auto sales.

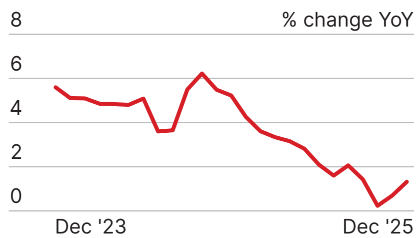


ECONOMIC METRICS

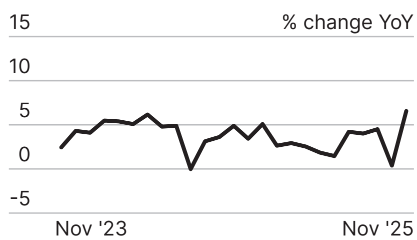
GST collection



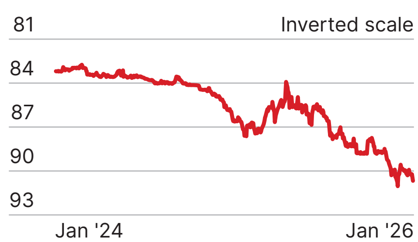
Inflation: Consumer Price



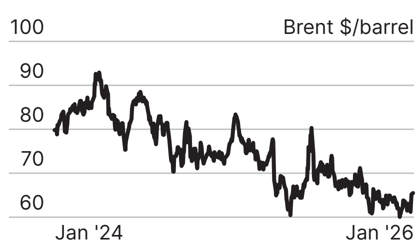
Index of Industrial Production



₹ vs $



Crude oil



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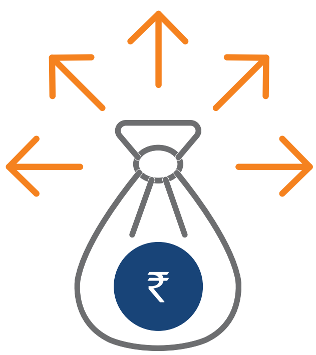
Less effort, more discipline

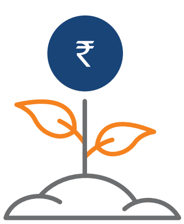
Investing often feels like a trade-off. On one hand there is a possibility of relatively higher returns, on other hand is the **effort and attention** required to chase them. For many investors, the real question is whether all that effort actually pays off in the long run.



Active investing demands constant involvement. Fund managers make frequent decisions on stock selection, sector allocation and timing. While some calls may work, others may not. Over time, outcomes depend not just on skill, but also on consistency and market conditions.

Passive investing takes a different route. Passive funds track a market index, offering exposure to a broad set of companies without frequent buying and selling. There is no attempt to outperform the market. Instead, the focus is on participating in overall market growth in a steady and disciplined manner.

For many investors, this simplicity can be powerful. With passive funds, you do not need to monitor portfolios constantly or react to short-term movements. You stay invested and let the market work over time, keeping the process **efficient.**



Another important factor is **cost**. Active funds typically come with higher expense ratios as compared to passives. With their lower costs, allow more of your money to remain invested and compound over the long term.

When effort is reduced and discipline is maintained, investors can benefit from a more **consistent and transparent** investment approach. Passive investing offers a way to stay invested, stay diversified and stay focused on long-term goals without unnecessary complexity.

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Mutual fund investments are subject to market risks, read all scheme related documents carefully. You may consult your Financial Advisor or Mutual Fund Distributor before taking investment decisions.

Large caps

	Industry	Stock Rating	3M returns (%)	P/E	TTM rev. growth (% YoY)	TTM PAT growth (% YoY)	3Y EPS growth (% pa)	3Y avg ROE (%)
Top 10 by returns ▲								
Shriram Finance	Finance - NBFC	★★★★★	45.0	3.0*	19.7	15.5	7.0	17.2
Vedanta	Metal - Non Ferrous	★★★★	40.7	22.0	8.9	31.0	-11.0	21.4
Ashok Leyland	Automobiles	★★★	38.1	33.7	9.7	29.8	158.8	26.9
Vodafone Idea	Telecommunication	Unrated	32.4	-	3.8	-9.9	18.5	-
Union Bank Of India	Bank - Public	★★★★	31.0	1.1*	2.0	13.7	32.7	15.7
Indus Towers	Telecommunication	★★★★★	29.5	12.4	7.8	24.1	26.3	22.6
Hindustan Zinc	Metal - Non Ferrous	★★★★	29.4	26.2	8.9	20.1	-2.8	57.3
AU Small Finance	Bank - Private	★★★★★	26.3	4.0*	30.4	16.0	14.0	14.3
IndusInd Bank	Bank - Private	★★★★★	26.0	1.1*	-3.5	-109.3	-149.9	11.4
Hindalco Industries	Metal - Non Ferrous	★★★★	25.8	12.1	13.2	37.0	8.6	7.1
Bottom 10 by returns ▼								
Waaree Energies	Electric Equipment	★★★★★	-26.5	27.3	55.9	143.1	156.8	34.8
Siemens Energy	Electric Equipment	Unrated	-26.1	76.5	212.9	250.0	-	-
CG Power	Electric Equipment	★★★	-22.6	85.0	25.6	208.7	0.5	33.2
Swiggy	E-Commerce	★	-21.2	-	46.5	79.0	25.9	-85.1
Interglobe Aviation	Airlines	★★★	-17.8	35.8	12.9	-23.0	47.6	43.7
LG Electronics India	Consumer Durables	Unrated	-17.6	42.9	-	-	22.3	36.6
ITC	Cigarettes/Tobacco	★★★★	-15.6	12.0	9.0	-73.0	26.0	29.0
Trent	Retailing	★★★	-14.9	86.1	23.6	23.6	64.6	29.3
Eternal	e-Commerce	★★	-14.0	1,535.8	101.8	-74.7	29.8	4.8
Bajaj Housing Finance	Finance - Housing	★★★	-12.8	3.7*	20.6	27.9	21.4	14.4

*Price-to-book ratio. Our large-cap universe has 149 large companies, making the top 70 per cent of the total market capitalisation. The above list mentions stocks that fluctuated the most in the last three months. Profit after tax (PAT) adjusted for exceptional items and discontinued operations. Data as of January 14, 2026.


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Mid caps

	Industry	Stock Rating	3M returns (%)	P/E	TTM rev. growth (% YoY)	TTM PAT growth (% YoY)	3Y EPS growth (% pa)	3Y avg ROE (%)
Top 10 by returns								
Hindustan Copper	Metal - Non Ferrous	★★★★	73.5	97.5	16.0	42.2	18.2	15.8
National Aluminium Co.	Aluminium Products	★★★★★	67.0	11.2	30.8	114.7	34.0	19.8
Prime Focus	Film Production	★★	41.3	-	16.0	-111.2	-32.8	3.4
JK Tyre & Industries	Tyres & Allied	★★★	35.0	27.3	4.5	-30.3	37.4	13.4
Kirloskar Oil Engines	Industrial Equipments	★★	34.1	33.5	11.9	-9.0	23.9	14.1
Aether Industries	Chemicals	★★★★	33.5	67.8	52.1	113.4	11.1	9.5
IIFL Finance	Finance - NBFC	★★★★	30.9	2.1*	5.7	-37.2	-16.2	15.4
City Union Bank	Bank - Private	★★★★★	29.9	2.1*	13.5	14.3	10.0	12.9
MCX	Finance - Stock Broking	★★★	28.6	88.6	50.1	101.7	58.2	11.8
Jain Resource Recycling	Metal - Non Ferrous	Unrated	26.1	63.3	-	-	14.6	-
Bottom 10 by returns								
Elitecon International	Trading	Unrated	-50.9	56.3	1,608.7	1,163.3	38.0	-
Cohance Lifesciences	Pharmaceuticals & Drugs	★★	-49.1	68.1	15.9	-23.3	-21.7	18.4
Kaynes Technology	Electronics - Components	★★	-46.7	65.2	45.1	59.5	36.6	10.7
Tata Investment Corp.	Finance - NBFC	★★★	-35.9	1.1*	-18.6	-15.8	-5.3	1.1
Dixon Technologies	Consumer Durables	★★★	-33.2	45.9	75.6	159.5	83.8	22.7
Godfrey Phillips	Cigarettes/Tobacco	★★★★	-31.7	27.7	29.5	21.6	30.5	24.7
Premier Energies	Trading	★★★	-30.9	27.7	39.2	117.0	269.5	31.7
Reliance Power	Power Generation	★★	-26.4	45.9	0.0	-123.7	30.0	2.3
Amber Enterprises	Air Conditioners	★★	-25.4	96.5	34.2	29.6	20.2	4.5
Brainbees Solutions	E-Commerce	★	-25.1	-	13.2	-4.5	-162.6	-11.6

*Price-to-book ratio. Our mid-cap universe has 318 mid-sized companies, making the next 20 per cent of the total market capitalisation. The above list mentions stocks that fluctuated the most in the last three months. Profit after tax (PAT) adjusted for exceptional items and discontinued operations. Data as of January 14, 2026.


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Small caps

	Industry	Stock Rating	3M returns (%)	P/E	TTM rev. growth (% YoY)	TTM PAT growth (% YoY)	3Y EPS growth (% pa)	3Y avg ROE (%)
Top 10 by returns								
Soma Papers & Industries	Paper & Paper Products	Unrated	269.3	-	-	-127.3	294.9	-74.0
Apis India	Agriculture	Unrated	196.8	58.4	12.4	1.6	17.1	14.7
Sri Adhikari Brothers	Film Production	Unrated	128.6	-	58.5	-54.1	9.9	-
Silver Touch Tech.	IT - Software	★★	108.6	74.3	17.1	38.8	53.7	14.9
Midwest Gold	Ceramics/Sanitaryware	Unrated	105.2	-	186.5	401.5	21.6	-3.8
One Global Service	Textile	★★★★★	100.6	23.7	334.0	363.5	148.3	43.1
Sacheerome	Chemicals	Unrated	94.3	55.6	-	-	52.0	24.8
Thangamayil Jewellery	Diamond & Jewellery	★★	94.1	64.8	35.0	92.8	46.9	21.7
Dredging Corp. Of India	Shipping	★★	89.2	-	38.1	-78.5	-177.5	-4.8
RDB Infrastructure	Construction - Real Estate	★	88.4	204.5	-6.9	-48.9	40.1	7.2
Bottom 10 by returns								
Allcargo Logistics	Logistics	★★★	-67.0	-	14.9	-1,441.6	-147.4	12.9
Magellanic Cloud	IT - Software	★★★	-66.8	13.0	14.0	-5.1	31.9	8.8
CIAN Agro	Edible Oil	★★★★	-59.5	33.2	579.6	2,580.4	691.0	8.8
Fischer Medical Ventures	Trading	★	-58.4	127.3	141.9	626.8	25.9	-
Kothari Industrial Corp.	Fertilizers	★	-56.9	-	243.5	-201.6	19.3	-7.4
Transformers & Rectifiers	Electric Equipment	★★	-44.7	29.7	29.5	66.5	93.2	15.1
Bharat Global Developers	IT - Software	Unrated	-44.0	269.8	43.3	-68.5	201.7	6.0
Servotech Renewable	Electric Equipment	Unrated	-43.3	71.2	21.2	1.8	74.1	18.0
Go Fashion	Retailing	★★★	-40.6	24.5	6.7	3.0	3.5	15.5
RIR Power Electronics	Electronics	★★	-40.0	151.4	22.1	21.0	20.3	17.9

*Price-to-book ratio. Our small-cap universe (minimum market capitalisation of ₹713 crore) has 1,180 small-cap companies, making the bottom 10 per cent of the total market capitalisation. The above list mentions stocks that fluctuated the most in the last three months. Profit after tax (PAT) adjusted for exceptional items and discontinued operations. Data as of January 14, 2026.

SPECIAL REPORT

The new tax order, decoded

A practical guide to tax planning under the new regime

Until a year ago, tax planning in India followed a predictable pattern. As March approached, investors scrambled to exhaust their Section 80C limits, bought insurance policies they barely understood and made hurried investments to avail exemptions rather than to secure long-term goals. The old tax regime encouraged this behaviour. The more deductions you can claim, the lower your tax bill.

The new tax regime, revamped in the 2025 Union Budget, fundamentally changed that. With the new framework, which is now the default option until one opts for the old one, tax planning is no longer about stitching together various deductions to save one's outgo. Rather, with fewer deductions, it makes tax paying much simpler. Here's a primer on the new framework and who it is better suited for.

Aprajita Anushree/AI-generated image

Old and new income-tax slabs

How the two regimes differ

Old regime		New regime	
Income (₹)	Tax rate (%)	Income (₹)	Tax rate (%)
Upto 2.5 lakh*	Nil	**Upto 4 lakh**	Nil
2.5 to 5 lakh	5	**4 to 8 lakh**	5
5 to 10 lakh	20	**8 to 12 lakh**	10
Above 10 lakh	30	**12 to 16 lakh**	15
	-	**16 to 20 lakh**	20
	-	**20 to 24 lakh**	25
	-	**Above 24 lakh**	30

*Upto ₹3 lakh if you are a senior citizen and ₹5 lakh if you are more than 80 years old.

OLD TAX REGIME:
- Tax rebate of up to ₹12,500 under Section 87A to those whose income post-tax deductions is up to ₹5 lakh.
- Standard deduction of ₹50,000 applicable for salaried employees.
- Additional educational cess of 4% on tax payable.
- Surcharge of 10% for income between ₹50 lakh and ₹1 crore; 15% for ₹1 crore to ₹2 crore; 25% for ₹2 crore to ₹5 crore; 37% for above ₹5 crore.

NEW TAX REGIME:
- Tax rebate of up to ₹60,000 under Section 87A to those whose income post-tax deductions is up to ₹12 lakh.
- Standard deduction of ₹75,000 applicable for salaried employees.
- Additional educational cess of 4% on tax payable.
- Surcharge of 10% for income between ₹50 lakh and ₹1 crore; 15% for ₹1 crore to ₹2 crore; 25% for above ₹2 crore.

Which tax regime is right for you?

It depends on how you earn and how many deductible investments you have.

The new tax regime works best for people whose income comes largely from salary and who do not have large deductions to claim. For them, lower tax rates, wider slabs and a higher rebate often result in a lower tax bill even after giving up the deductions they earlier used under the old regime.

The old framework suits a different kind of taxpayer. It is better for those with large, significant deductions to claim and who can reduce their taxable income through them, such as home-loan interest, provident fund contributions, insurance premiums and other eligible investments. If these deductions are sizable and

Tax calculation under the new regime

Description	Amount (₹)
Gross taxable income	15,00,000
Less: Standard deduction	75,000
Interest income from fixed-income investments	2,40,000
Taxable income	16,65,000
Tax according to slab rate (A)	1,33,000
LTCG from equity investments	2,00,000
STCG from equity investments	60,000
LTCG tax @ 12.5% over ₹1.25 lakh (B)	9,375
STCG tax @ 20% (C)	12,000
Add: Cess @ 4% (on A, B & C)	6,175
Total tax payable	1,60,550

Tax calculation under the old regime

Description	Amount (₹)
Gross taxable income	15,00,000
Less: Standard deduction	50,000
Interest income from fixed income investments	2,40,000
Less: 80C investments	1,50,000
Less: 80CCD(1B) NPS	50,000
Less: 80D health insurance	50,000
Taxable income	14,40,000
Tax according to slab rate (A)	2,44,500
Long term capital gains from equity investments	2,00,000
Short term capital gains from equity investments	60,000
Long term capital gains (LTCG) Tax @ 12.5% over ₹1.25 lakh (B)	9,375
Short term capital gains (STCG) Tax @ 20% (C)	12,000
Add: Cess @ 4% (on A, B & C)	10,635
Total tax payable	2,76,510

Deductions taken up to full exemption limit

consistent, the tax saved under the old regime can still outweigh the benefit of lower rates under the new one.

What about other sources of income? Interest, dividends, rental income and capital gains are taxed broadly the same way under both regimes. Interest and dividends are taxed at slab rates, while capital gains are taxed at specific rates based on asset type and holding period. Thus, these sources influence the final tax bill but not the choice of the regime. That choice is driven primarily by salary income and the size of deductions one can avail.

In short, for those with salary-heavy income with limited deductions, the new regime usually works better. For those who can avail large, consistent deductions, the old regime may be the better choice. You can easily find which regime is ideal for you based on your income using the **Value Research Tax Calculator** accessible from the QR code.

How you can save tax in the new regime

The new regime offers fewer tax-saving levers than the old one. The list is shorter but good for ease and simplicity.

Standard deduction: For salaried employees, the standard deduction remains the single most important tax relief available under the new tax regime. Not only has it been retained, it has also been enhanced.

A flat deduction of ₹75,000 is allowed from salary income before tax is computed. This requires no documentation, no investment and no lock-in. It directly reduces taxable income and benefits every salaried taxpayer, irrespective of how they invest.

Section 87A rebate: The expanded Section 87A rebate is the backbone of the new regime. For taxpayers with a total income of up to ₹12 lakh, the rebate effectively reduces the tax payable to zero. The threshold was smaller at ₹5 lakh in the old regime. If you are a salaried employee, the enhanced standard deduction and Section 87A rebate together make up to ₹12.75 lakh of income tax-free.

Unlike deductions, this benefit depends only on income, not on how or where you invest. It simplifies tax planning dramatically for a large section of taxpayers.

Employer's NPS and EPF contribution: One important deduction that has been retained is the employer's contribution to the National Pension System (NPS) and Employees' Provident Fund (EPF).

Employer contributions to NPS (up to 14 per cent of basic pay plus DA) and EPF (up to 12 per cent of basic pay plus DA) are excluded from taxable income. However, the combined tax-free limit to claim this deduction across both instruments is ₹7.5 lakh per year.

Also, this benefit applies only to the employer's contribution, not your own. For employees whose companies offer this, it can significantly reduce taxable income while strengthening retirement savings.

Capital gains: Capital gains taxation remains the same under both regimes.

- Long-term equity investment gains up to

How different income streams are classified and taxed

Head of Income	What it covers	What is included	How it is generally taxed
Income from salary	Earnings from an employer-employee relationship	● Basic pay, Dearness Allowance, House Rent Allowance ● Bonuses and incentives ● Pension, ESOPs and employer PF/NPS contributions	Taxed at slab rates after standard deduction (₹50,000 in old regime, ₹75,000 in new regime)
Income from house property	Income from owning property	● Rental income from residential or commercial property ● Notional rent on residential properties above permissible units (which is two properties as per current rule)	Net rental income taxed at applicable slab rates after home-loan interest deduction (deduction available only in old tax regime)
Profits & gains from business or profession	Income from business, freelancing or professional activity	Profits of traders, consultants, doctors, freelancers, influencers, shop owners, F&O traders, etc.	Net profit after deducting expenses is taxed at slab rates
Capital gains	Profit from selling financial and real assets	Equity shares, mutual funds, real estate, gold, bonds, ETFs, crypto	Taxed at special rates depending on asset and holding period
Income from other sources	Residual category of income	FD interest, savings interest, dividends, gifts, lottery winnings, family pension	Mostly taxed at slab rates (lottery & gambling at flat 30 per cent)

₹1.25 lakh are exempt. These are securities/mutual funds held for more than 12 months.

- Gains beyond that are taxed at 12.5 per cent
- Short-term (held for less than 12 months) equity gains are taxed at 20 per cent

See the table 'Capital gains tax framework (FY25-26)' for how other assets like real estate, gold, debt funds etc are taxed for capital gains. This structure rewards long-term investing and discourages frequent churn, regardless of which regime you choose.

What the new regime misses

The new tax regime has made paying taxes easier. But it has also removed one of the old system's most useful features: the push to save and invest for the long term.

For all its complexity, the old tax regime nudged people, albeit sometimes reluctantly, into building basic financial foundations. Insurance was bought, retirement accounts were funded, and long-term investments were made, often because the tax system demanded it. That push is largely missing in the new framework.

The new regime leaves these decisions entirely to the individual. There is nothing wrong with that, but it assumes a level of financial discipline and awareness that many investors are still developing. The risk is not higher taxes. The risk is lower with savings and delayed investing, especially for long-term financial goals, including retirement planning, education and capital protection.

What you must do even without tax incentives

Insurance is essential: Under the old regime, deductions encouraged people to buy life and health insurance. That incentive is gone but the need is not.

Life insurance remains essential for the earning members of a family. The right choice is simple, low-cost term insurance, not bundled savings products or market-linked hybrids. Health insurance is equally non-negotiable for everyone, even if choosing the right policy takes some effort.

Tax incentives may no longer reward these decisions, but skipping them is far more expensive in the long run.

Don't stop equity investing: ELSS funds were popular largely because they came with tax benefits and a lock-in. With the new regime removing that incentive, continuing with ELSS purely out of habit makes little sense. But stopping equity investing would be a mistake.

The right response is to redirect, not retreat. Regular investments into diversified equity mutual funds, such as flexi-cap funds, can serve the same long-term wealth-building role without lock-ins. What matters is the habit of investing, not the tax label attached to it.

The bottom line

The new tax regime makes filing simpler. The old regime shaped behaviour by nudging people to save, insure and invest. Those nudges are now largely gone, but the need to build long-term financial security has

Capital gains tax framework (FY25-26)

How gains from major asset classes are treated irrespective of the tax regime

Asset category	Holding period	Short-term/ Long-term	Capital gains tax rate
Equity shares & equity-oriented mutual funds/ETFs	≤ 12 months > 12 months	STCG LTCG	20% 12.5%*
Debt mutual funds	Any duration	Treated as STCG	As per tax slab
Hybrid funds (65 per cent or more equity exposure)	≤ 12 months > 12 months	STCG LTCG	20% 12.5%*
Hybrid funds (35-65 per cent equity exposure)	≤ 24 months > 24 months	STCG LTCG	As per tax slab 12.5%
Hybrid funds (less than 35 per cent equity exposure)	Any duration	Treated as STCG	As per tax slab
Gold (physical)	≤ 24 months > 24 months	STCG LTCG	As per tax slab 12.5%
Real estate (Land/Building)	≤ 24 months > 24 months	STCG LTCG	As per tax slab 12.5% (flat) or 20% with indexation#

Capital gains tax rates for assets acquired after April 1, 2023 and held beyond April 1, 2025. *Tax exempt upto ₹1.25 lakh of gains. #Indexation option is available only if the property was acquired before July 23, 2024.

not changed. Insurance, retirement savings and disciplined investing remain essential even without any tax incentives.

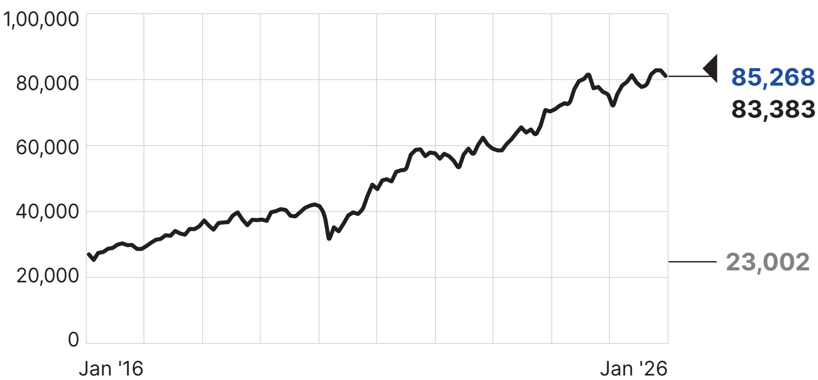
It is important to not let taxes alone dominate financial decisions because deductions and rebates are visible and immediate. Taxes are only one part of the equation. What matters more is whether your financial choices are sensible, sustainable and aligned with your goals. ☑

Trends and trails

Charts to help you make sense of the current market in terms of valuations and return potential

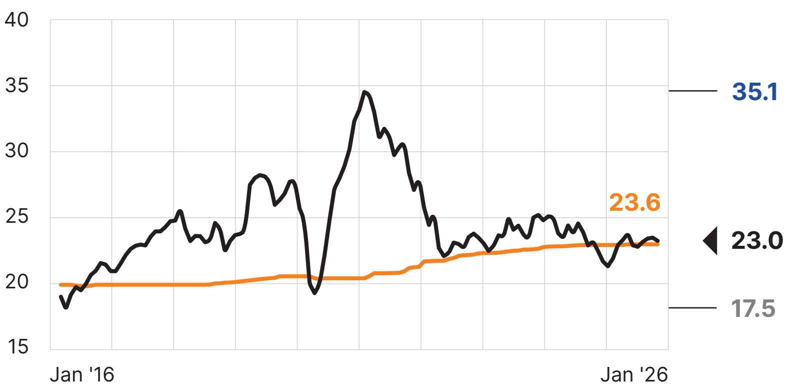
● Max ◀ Current ● Median ● Min

Sensex's 10-year journey

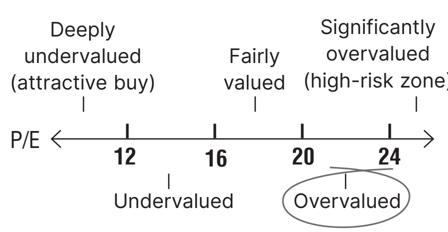


- The Sensex is a reliable gauge of the Indian market's overall performance.
- The 10-year graph shows a secular market rally, interrupted by several bearish phases.
- Key setbacks include Chinese growth concerns (2015), demonetisation (2016), US-China trade tensions (2018) and the Covid-19 crash (March 2020).
- After a strong recovery post-March 2020, the market dipped due to the Russia-Ukraine conflict and rising interest rates.
- After touching new lifetime highs in 2024, the Sensex is now stuck in a consolidation phase.

Sensex's price-to-earnings ratio

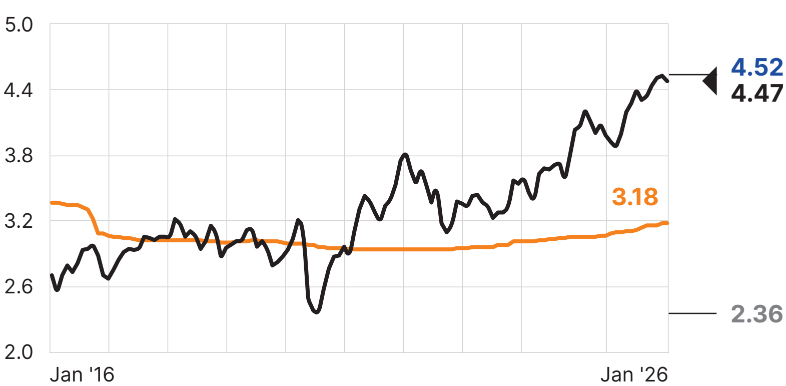


The **price-to-earnings (P/E)** ratio of the Sensex is a straightforward indicator of market valuation. Below is a general valuation guide:



This chart uses standalone data for Sensex companies. If consolidated figures are considered, the P/E ratio would likely be lower.

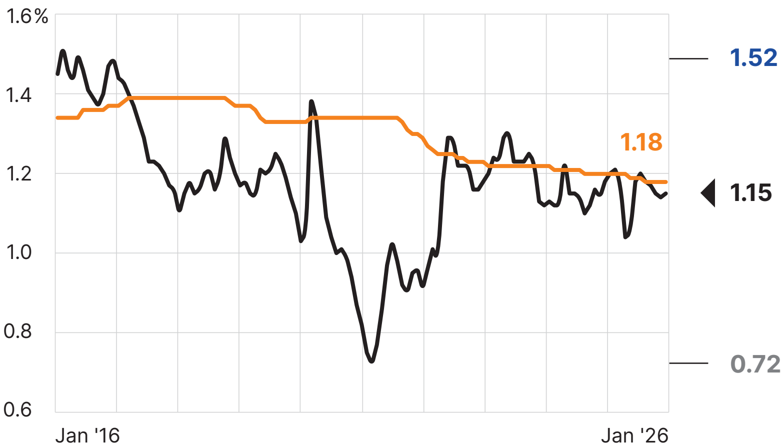
Sensex's price-to-book ratio



The **price-to-book (P/B)** ratio reflects what investors are willing to pay for each rupee of net assets. With book value being more stable than earnings, it's often considered a better valuation measure than P/E.

If:
P/B > Median P/B = Overvalued
P/B < Median P/B = Undervalued

Sensex's dividend yield



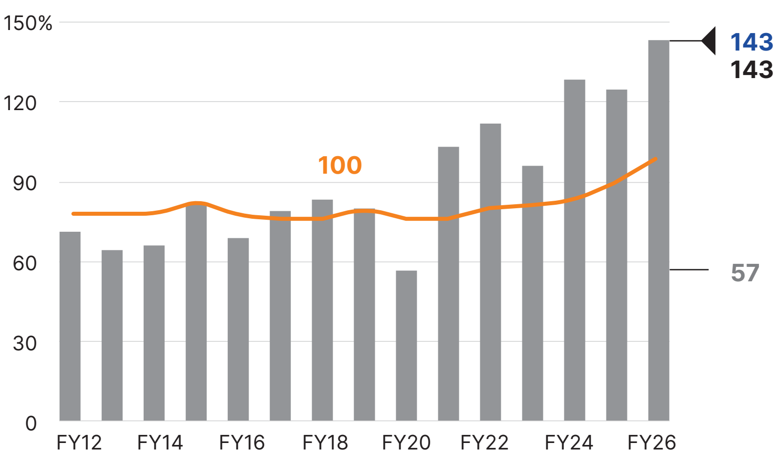
Dividend yield represents the return an investor earns through dividends. It is calculated as the dividend per share divided by price per share. Typically, higher dividend yields indicate cheaper stock prices.

If:

Dividend yield < Median dividend yield = Overvalued

Dividend yield > Median dividend yield = Undervalued

Market cap-to-GDP



The **market cap-to-GDP ratio** is Warren Buffett's favourite valuation metric, calling it 'the best measure of market valuations at any given moment'.

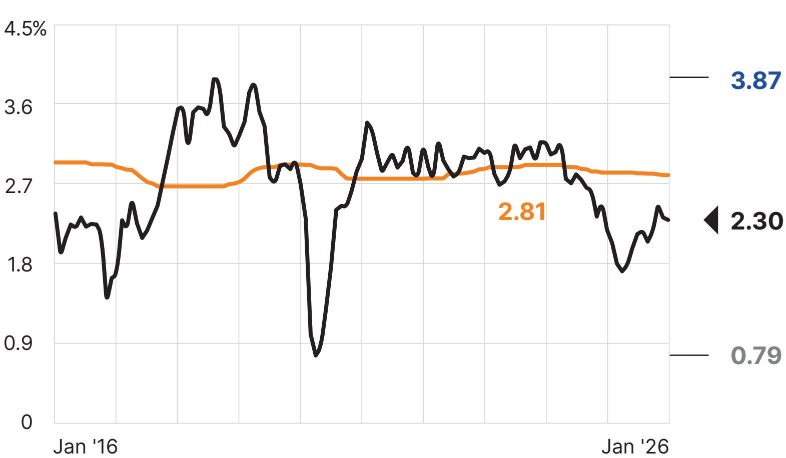
If:

Market cap > GDP = Overvalued

Market cap < GDP = Undervalued

Considering the cumulative market cap of BSE-listed companies and the nominal GDP estimates: final for FY23, first revised for FY24 and second advanced for FY25.

10Y G-sec yield gap to Sensex's earnings yield



The **spread** between the 10-year government bond yield and Sensex earnings yield (inverse of P/E) is a key valuation metric.

A significant deviation from the median indicates the degree of the Sensex's overvaluation or undervaluation.

If:

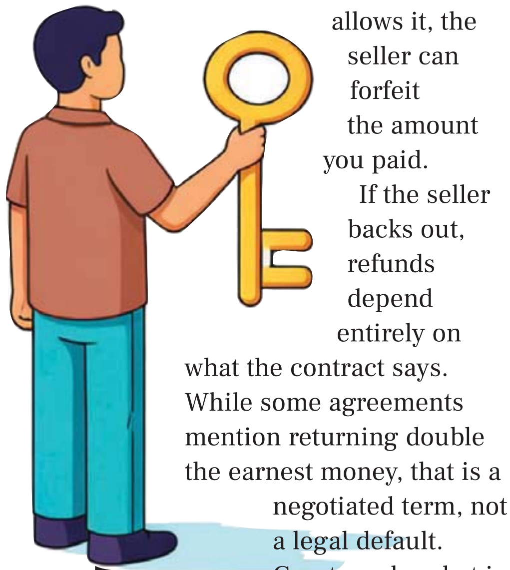
Spread > Median = Overvalued

Spread < Median = Undervalued

All data as of January 14, 2026

Buying a resale home? Don't skip this checklist

What every homebuyer must verify before signing the papers



Buying a resale home often feels like the safer choice. You can see the house, walk through the rooms, size up the neighbourhood and in many cases, move in quickly. In comparison to an under-construction property, it seems to come with far fewer unknowns.

But that comfort can be misleading. In resale deals, the biggest risks are rarely visible during a site visit. They tend to sit quietly in the paperwork – agreements that buyers skim through once the price is settled and the excitement of closing the deal kicks in. At that point, documents start to feel like a formality, even though this is exactly where key risks shift from the seller to the buyer.

So, before you sign the agreement or sale deed, pause and go through this checklist. It can make the difference between a smooth purchase and years of avoidable stress.

Earnest money and payment timelines

Most resale deals begin with a token payment, commonly called 'earnest money', with the balance payable within a fixed period. Miss that deadline and if the agreement allows it, the seller can forfeit the amount you paid.

If the seller backs out, refunds depend entirely on what the contract says. While some agreements mention returning double the earnest money, that is a negotiated term, not a legal default. Courts go by what is written, not by what is commonly believed.

Thus, before committing, be realistic about how quickly you can arrange the balance funds. As a rule of thumb, avoid paying more than 1–2 per cent of the property value as token money unless you are confident the deal will go through.

Access for inspections

One visit is rarely enough when buying a resale home. You may want to return with a civil engineer, an electrician or an interiors expert. This is usually easy if the house is vacant. It can get tricky if the seller or a tenant is still living there.

Make sure the agreement clearly allows for multiple inspections and spells out when and how they can happen. If access terms are vague, sellers may later limit visits, leaving you to discover issues only after you take possession.

Condition of the property

Many resale homes are sold on an 'as is, where is' basis. In simple terms, this means you accept the property in its current condition after inspection. Once the sale is complete, the seller is generally not responsible for defects discovered later.

Such clauses are common and not automatically a red flag. But they shift the responsibility of the house's physical condition squarely onto the buyer. They also do not protect the seller from fraud, misrepresentation or title-related issues.

If the seller has agreed to fix any defects, this must be clearly written into the agreement, specifying what will be repaired and by when.

Rights of way and easements

Some properties come with easements or legal rights that allow others limited use or access. This could include shared passages, drainage lines under the property or utility cables running through it.

Easements are common, especially in older buildings, and are not necessarily deal-breakers. But undisclosed or restrictive easements can affect privacy, renovations and even resale value. Read these clauses carefully and understand their practical impact before proceeding.

Existing tenants or leases

If the property is tenanted, the agreement must clearly lay out the lease terms: rent, security deposit, notice period and the date by which vacant possession will be given, if that has been agreed.

It should also state who receives rent after the sale. In some cases, the seller continues to collect rent until the lease ends; in others, the buyer steps into the landlord's role immediately. Any advance or deposit paid by the tenant should be properly accounted for to avoid disputes later.

Outstanding home loan amounts

Buying a mortgaged property adds another layer of complexity. The agreement should disclose the outstanding loan amount and clearly explain how it will be settled.

Typically, the seller uses the sale proceeds to repay the loan and obtain a release of the property documents from the bank. Home loans are not freely transferable. While some lenders may allow a takeover after fresh approval, the buyer must independently qualify. This should never be assumed.

Encumbrances and pending dues

The agreement should clearly state that the property is free from encumbrances such as unpaid society charges, utility bills, property taxes or other loans, unless otherwise agreed.

Before closing the deal, check recent electricity and water bills, confirm outstanding dues with the housing society and obtain an encumbrance certificate from the sub-registrar. Hidden dues can delay or even derail the transfer of ownership.

The bottom line

In resale transactions, the real risks are rarely obvious. They don't show up during a house visit; they show up in what you sign. While price negotiations tend to dominate conversations, it is the fine print that ultimately decides how smooth or stressful ownership will be.

Buying a home is an emotional milestone. Closing the deal, however, is a legal act. Treating it with the seriousness it deserves is often the simplest way to ensure that the comfort of owning a home doesn't come with unpleasant surprises later. ☑

ANALYST'S DIARY

When elephants dance

Large caps can still surprise you with multibagger gains

Sakshi/AI-generated image

There is a belief in the market that has lasted far longer than it should. Most investors assume that large caps cannot be multibaggers. They are already too big, too known, too widely owned. The excitement for many lies in the smaller end of the market, where companies can supposedly grow faster. It is a neat idea, except that the data suggest otherwise.

Testing the myth

To test this belief, we looked at 62 companies that were large caps as of FY15 and remained in the category by FY25 to evaluate whether they rewarded investors despite their size. And their performance tells a story very different from the popular narrative: 46 of them doubled in value over the decade, while 13 delivered annual returns of more than 15 per cent. And remarkably, the top two grew nearly eight times (see 'Big on size and returns'). These weren't hidden gems or mid-cap rockets. They were already industry leaders in 2015 and their size did not deter compounding.

Big on size and returns

Company	FY15 m-cap (₹ cr)	FY25 m-cap (₹ cr)	10Y PAT growth (%)	Return (%)
Siemens	29,441	2,57,922	11	24.2
Titan Company	34,802	2,72,678	15	22.9
Reliance Industries	2,42,709	17,25,330	12	21.7
Bharti Airtel	1,57,458	10,03,986	18	20.4
Tata Steel	30,773	1,92,379	11	20.1
DLF	28,199	1,68,445	24	19.6
HDFC Bank	2,56,377	13,99,205	21	18.5
Grasim Industries	33,273	1,77,849	9	18.2
ICICI Bank	1,82,787	9,60,321	15	18.0
Pidilite Industries	30,806	1,44,915	15	16.7

Top 10 companies by returns. Profit after tax growth (PAT) and returns are annualised.

What makes large-cap businesses compound?

This brings us to a more important idea for long-term investors: large caps do not struggle because of their size. They struggle when they operate in a shallow opportunity set or when their business quality deteriorates. Conversely, some large caps continue to grow steadily because they possess both a large pond and the character to swim through it.

This is what veteran investor Bharat Shah describes as the 'large fish in a large pond' framework. The size of the fish matters, but so does the size of the pond and the fertility of the waters. A business can be large today and still keep growing at a meaningful rate if the opportunity size is deep, secular and structural. That is the foundation of any long-term compounding machine.

The character of the business matters just as much: the ability to generate economic value, sustain capital efficiency, defend its competitive moat, display pricing power and convert profits into real cash flows. It is this dual combination of growth and quality that ultimately determines whether a company becomes a winner or falls into the treadmill of mediocrity.

Spotting future winners

With this lens, we screened today's large-cap universe to find those that have the structural capacity and opportunity to grow steadily over the next decade. The objective was not to look for the next 30-40 per cent growth engines but to find businesses that exhibit the traits of long-term compounding: durability, predictability, industry depth, capital efficiency and clean balance sheets.

First, we picked large caps that have remained in the category since FY15. Then, we applied the following filters:

- Five-year annual revenue and profit growth of over 10 per cent
- Five-year average return on equity (ROE) of over 12 per cent
- A **Value Research Stock Rating** of at least three and a Valuation Score of at least four

The three that fit the frame

From this process, the universe shrank meaningfully to 26 companies. And from there, three companies stood out for being the large fish in a large pond. They have been steady compounders in the past and still have a runway in the future. Let's look at them.

Mahindra & Mahindra

Mahindra & Mahindra sits at the heart of India's consumption and capex story through two engines: SUVs and tractors. In SUVs, it has built a franchise that commands strong customer pull, backed by iconic brands like Scorpio, Thar and XUV. The company benefits from deep manufacturing expertise, a wide product pipeline and early investments in EV platforms. In tractors, Mahindra is the undisputed market leader with a multi-decade distribution advantage and a trusted brand in rural India. What strengthens both businesses is scale, strong cash generation and a disciplined capital allocation framework. With SUVs and MUVs now accounting for nearly 50 per cent of total passenger vehicle sales and the segment projected to grow 10-11 per cent annually, M&M's leadership positions give it room to grow and compound steadily.

★★★★
Stock Rating

15.1
5Y average ROE (%)

27.8 / 54.3
5Y annual growth (%)
Revenue / EPS

Eicher Motors

Royal Enfield, owned by Eicher Motors, is one of the world's most enduring motorcycle brands, known for simple, reliable mid-size motorcycles. The company's strength comes from a unique blend of brand loyalty and deep in-house product development, supported by advanced R&D centres. With an 87 per cent market share in India's mid-size two-wheeler market and presence in over 65 countries, it has built a global franchise that is hard to replicate. What makes the business a potential decade-long compounder is its focused strategy: expanding the mid-size segment globally, constant innovation with new platforms, and a growing ecosystem of apparel and accessories. This is supported by a solid market backdrop. As per industry estimates, the premium segment of the two-wheeler market could make up 28 per cent of industry sales by FY29 from 19 per cent in FY24.

★★★★★
Stock Rating

19.3
5Y average ROE (%)

23.3 / 34.8
5Y annual growth (%)
Revenue / EPS

Dr Reddy's Laboratories

The global pharmaceutical giant has built its legacy on a clear model: develop high-quality, affordable medicines and scale them across the world. Its business rests on four strong pillars: generics, active pharmaceutical ingredient (APIs), biosimilars and branded products in India and emerging markets. The next decade offers a major industry tailwind. By 2030, nearly 100 biologic drugs will lose exclusivity, creating a $300 billion (₹27 lakh crore) opportunity for generics and biosimilars; around half of this will open up by 2027.

Dr Reddy's scientific capabilities, regulatory track record and complex-generics pipeline position it well for this shift. Its backward-integrated API operations help control costs, while its branded portfolio provides stability and recurring growth. Strong cash flows and disciplined capital allocation should help it maintain a steady growth trajectory. ☑

★★★★
Stock Rating

17.1
5Y average ROE (%)

13.5 / 29.0
5Y annual growth (%)
Revenue / EPS

By Abhinav Goel

ANALYST'S DIARY

Catching the tailwind

Carraro India's engineering moat forged over the years may finally pay off

Carraro India stumbled out of the gate as its lofty IPO valuation was met with the market's cold shoulder a year ago. The company has since remained there, unable to reclaim its issue price (as of January 6, 2026). For a boldly-priced business, the market's verdict was not surprising.

But a year and some valuation compression later, things are looking better. The business that has spent decades building expertise in one of the most technically demanding niches of the off-highway machinery industry is seeing that niche shift in ways that play to its strengths.

That pivot is now creating tailwinds that merit attention, even if the long-term backdrop carries its own constraints. We look at both here.

A focused lineage

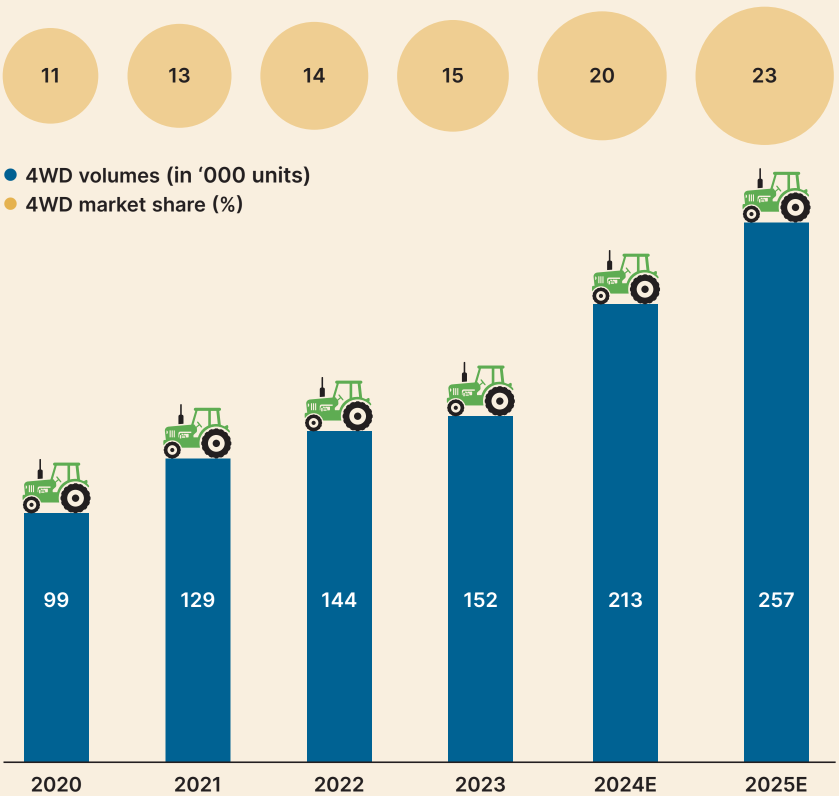
Carraro entered India in 1997 as the manufacturing arm of the Italian driveline maker. The Indian auto-component universe is filled with firms that diversified aggressively into adjacent categories. Carraro did the opposite. It chose one lane, off-highway drivelines and stayed there. No passenger vehicle ambitions, no unrelated expansions. That discipline defines the company.

Its business revolves around two components: axles and transmissions for agricultural tractors, construction equipment and telehandlers. These are essential parts; axles are like strong joints that connect tyres and carry the machine's weight, while transmission systems deliver power from the engine to those axles, enabling movement. Together, they account for nearly a quarter of a machine's total cost and demand deep engineering know-how. Long validation cycles, specialised testing, forging and machining capabilities and years of customer qualification create high barriers to entry.

This insulation has helped incumbents like Carraro hold their ground for years.

Roaring in the fast lane

4WD tractor market grew 17 per cent per annum during FY19-23



Source: Carraro India IPO prospectus. 'E' stands for 'expected'.

Stock Rating	Quality Score	Growth Score	Valuation Score	Momentum Score
★★★	5/10	8/10	4/10	8/10

Data as of January 6, 2026

Market turning in its favour

The biggest opportunity now is unfolding in Carraro's tractor segment. For decades, India's tractor market ran almost entirely on 2-wheel drive (2WD) axles, where only the rear wheels received power. The world, by contrast, has long been 4WD-first, where power is distributed to all wheels, giving better traction, smoother handling over uneven terrain and greater pulling power with less slippage.

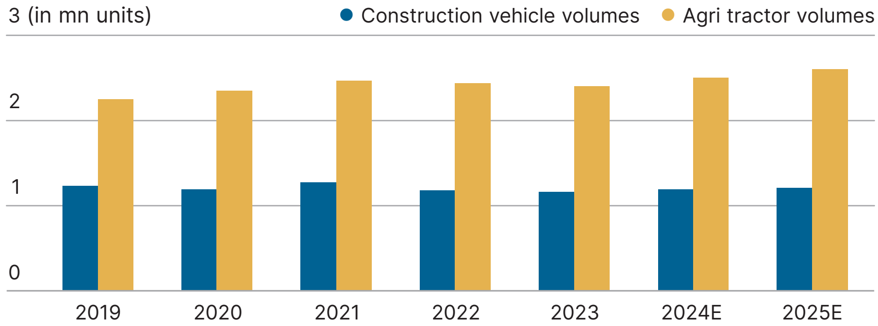
That shift is now underway in India at a surprisingly quick pace. From almost nothing a few years ago, 4WD tractors now account for 20-25 per cent of new sales. For Carraro, which controls 35-40 per cent of the non-captive 4WD axle market, this is a meaningful tailwind. Roughly a quarter of its revenue now comes from 4WD axles and the share is set to rise as adoption deepens.

The second lever lies outside India. Carraro, which earns one-third of its business from exports, has developed a new tele boom handler (a type of forklift) axle platform and supplied prototypes to a major global OEM. Early feedback has been positive, and volumes may scale substantially once full commercialisation begins.

Beyond growth, Carraro is also working on improving margins. Nearly 80 per cent of its components are now sourced domestically. Every imported part that is localised trims costs by as much as 15 per cent. This, aided by operational efficiencies and better labour negotiations, may lift EBITDA margins from 10 per cent to around 15 per cent in the next four to five years. The management has also hinted at a fresh capex cycle, signalling confidence in sustained demand.

When China slows, exports hurt

Global export volumes have been stagnant due to China's prolonged lull



Source: Carraro India IPO prospectus

Risks worth bearing in mind

The story so far may seem linear, but the long-term picture is more nuanced. Carraro's niche protects it, but also limits it.

The biggest structural risk. Captive integration. The 2WD tractor market became largely captive over time as OEMs brought axles and transmissions in-house. The same risk looms over 4WD. As volumes grow, OEMs may again choose to manufacture these parts internally to save costs or secure supply. If that happens, Carraro's addressable market could narrow.

A niche with a natural ceiling. Even with strong 4WD growth, the off-highway driveline market is not large. Carraro can expand its share, move up the value chain and diversify across platforms, but long-term growth will mirror the contours of a structurally limited industry.

Slower global recovery. The global off-highway market has been in a lull due to a slowdown in China's agri and construction industries. Any prolonged softness there may delay the export upturn the company is banking on.

Seasonality and cycles. Agriculture depends on monsoons, crop prices and subsidy policies. Construction mirrors infrastructure spending. These cycles feed directly into OEM production schedules and carry risks for Carraro India's order book.

The bottom line

Carraro India is a precision story. It has spent years building technical depth and discipline in a narrow domain that is finally seeing meaningful, long-term change. Rising 4WD penetration and a promising new axle platform provide clear tailwinds.

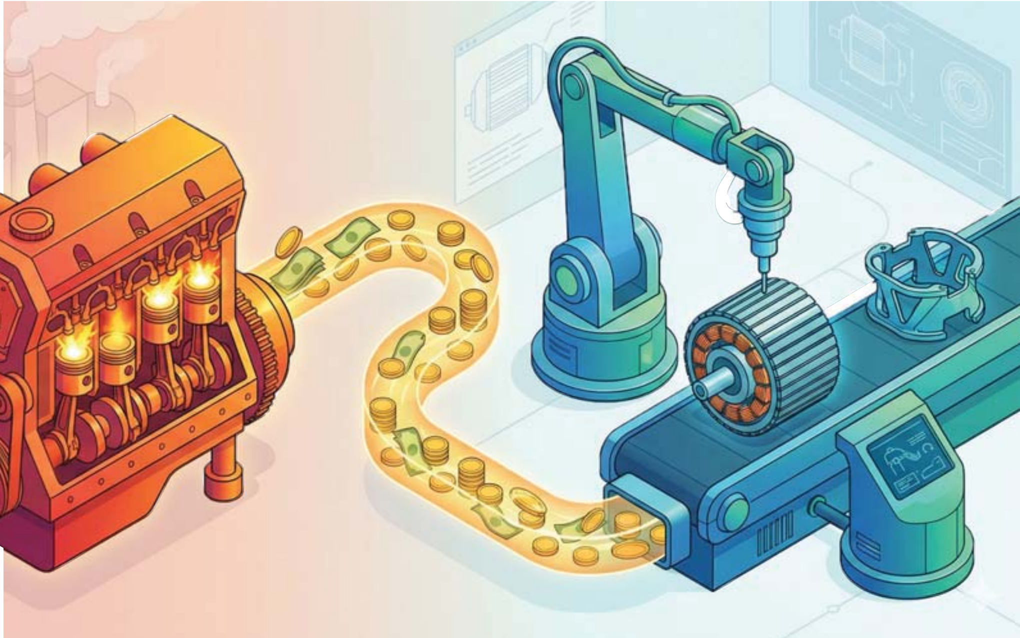
Yet, the long-term arc remains defined by forces outside its control. If OEMs continue outsourcing and global cycles stabilise, Carraro will stand to benefit. However, if in-house integration returns or export markets stagnate, the runway narrows down.

For now, Carraro India stands in a niche that is finally opening and in a position built patiently enough to take advantage, but with risks that deserve as much weight as its strengths. ☑

By Kunal Bansal

Engines in transition

How Shriram Pistons must embrace growth without abandoning the old



Vinayak Pathak/AI-generated image

Shriram Pistons & Rings has the air of a company that should be past its prime. Pistons, piston rings and engine valves, its main bread, belong to the petrol-and-diesel world. And in an age where automotive conferences sound more like tech festivals, it is easy to assume that Shriram Pistons is the last one standing. But the company isn't clinging to the past. Rather, it is using its profit from the internal-combustion engine (ICE) business to bankroll a quiet but meaningful expansion into precision plastics and electric vehicle (EV) motors, niches with large opportunities and sparse players. But the strategy does not involve completely abandoning the old revenue engine or betting everything on the new; it is choosing the boring but intelligent middle path.

Core engine continues to lend strength

The foundation remains the ICE segment and it is a powerful one. Shriram Pistons has spent decades sitting across the design table with automakers, not just shipping standard parts but co-engineering them, too. Long-standing technology partnerships with KS Kolbenschmidt/Rheinmetall, Riken, Fuji Oozx and Honda Foundry gave the company early visibility into every tightening of emission and efficiency standards. While competitors struggled to adapt, Shriram Pistons absorbed new materials, coatings and geometries into the Indian context rather than importing generic blueprints. Market share followed that discipline: its share in industry revenue has risen from about 43 per cent in FY18 to above 50 per cent in FY25.

Capacity exits by global piston makers have further created fresh opportunities, widening the leader's addressable base. Coupled with the company's coverage across two-wheelers, passenger vehicles, commercial vehicles, off-highway machinery and non-auto applications, the ICE business remains a dependable segment that continues to compound.

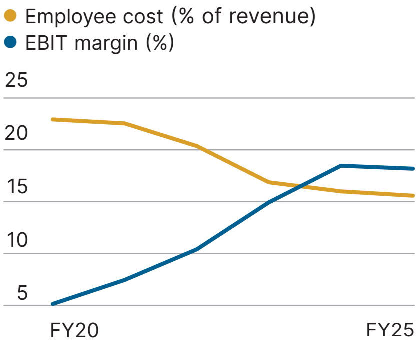
Management hasn't let operational muscle soften either. Digitisation and smart automation have protected margins and

★★★★	8/10	6/10	4/10	10/10
Stock Rating	Quality Score	Growth Score	Valuation Score	Momentum Score

Ratings and scores as of January 6, 2026

Efficiency on a rise

Thanks to a steady drop in employee costs and rise in margins



Well-oiled engines at work

Sustained gains in revenue, margins highlight Shriram's steady growth

	FY25	FY24	FY23	FY22	FY21	FY20
Revenue from operations (₹ cr)	3,550	3,089	2,609	2,065	1,597	1,607
Op. profit (₹ cr)	605	534	366	202	113	79
Op. margin (%)	17.0	17.3	14.0	9.8	7.1	4.9
PAT (₹ cr)	516	439	294	164	89	73
ROCE (%)	27.4	29.6	25.8	17.6	10.9	8.6

employee-cost ratios have eased, while a debt-free, cash rich balance sheet has kept the business a sturdy cash engine.

New legs and their runway

Still, Shriram Pistons is aware that the growing EV transition is a tangible risk for the core ICE business. Hence, it has been dipping its toes in new waters using the cash strength of the legacy business.

The first leg of diversification is **precision moulding**. These high-precision plastic components are used in steering systems, braking assemblies, etc., regardless of whether the vehicle runs on petrol or electric charge. This segment is profitable and holds a smaller pie of the business, at ₹312 crore FY25 revenue. The domestic opportunity is worth about ₹3,000-4,000 crore and grows faster than automotive volumes, with adjacency into medical and non-auto applications.

The second leg is more ambitious: **EV motors and controllers**. Here, the company offers a wide range, from 250-watt hub motors to 300-kilowatt units for heavy applications. However, its real advantage lies in designing controllers and selling an integrated motor-plus-controller system. That reduces OEM integration risk and strengthens pricing. For this segment, its Coimbatore plant has been built, with headroom for scaling to nearly 4.5 lakh motors a year. The segment, though, has not begun contributing to profits meaningfully yet, given its nascent stage.

The market opportunity is sizable. Two-wheeler electrification alone, for instance, could require 7.7 million traction motors by 2030, assuming EV penetration reaches 30 per cent, far higher than the roughly one million manufactured today across all players. The runway allows more than one winner and Shriram Pistons has an edge, given it has capacity in place and OEM relationships in hand.

What could go wrong

The most immediate risk is existential: a sudden acceleration in EV adoption that dents the ICE business faster than Shriram Pistons can pivot. Even a modest drop in volumes, long the company's cash engine, could ripple through margins and profits, leaving the nascent plastic and EV motor segments to carry the weight before they are ready. Scaling these new verticals is neither instantaneous nor guaranteed. They need time and market validation.

Competition is another wild card. The very lucrativeness of precision plastics and EV motors could invite new entrants, including global specialists or deep-pocketed OEMs. Shriram Pistons' head start in capacity and integration expertise is an edge, but the edges could be fleeting in high-growth, high-visibility markets.

Valuation adds another lens of caution. At 27 times earnings with 15 per cent growth, Shriram Pistons' stock looks compelling, but that multiple, also its highest, assumes the ICE core will continue delivering predictably until the new segments scale. Any abrupt disruption to legacy volumes could cause a sharp re-rating. That perhaps explains why the market has been waiting on the sidelines, being rightly cautious and preferring to see tangible earnings contribution from the new segments before fully pricing in the potential.

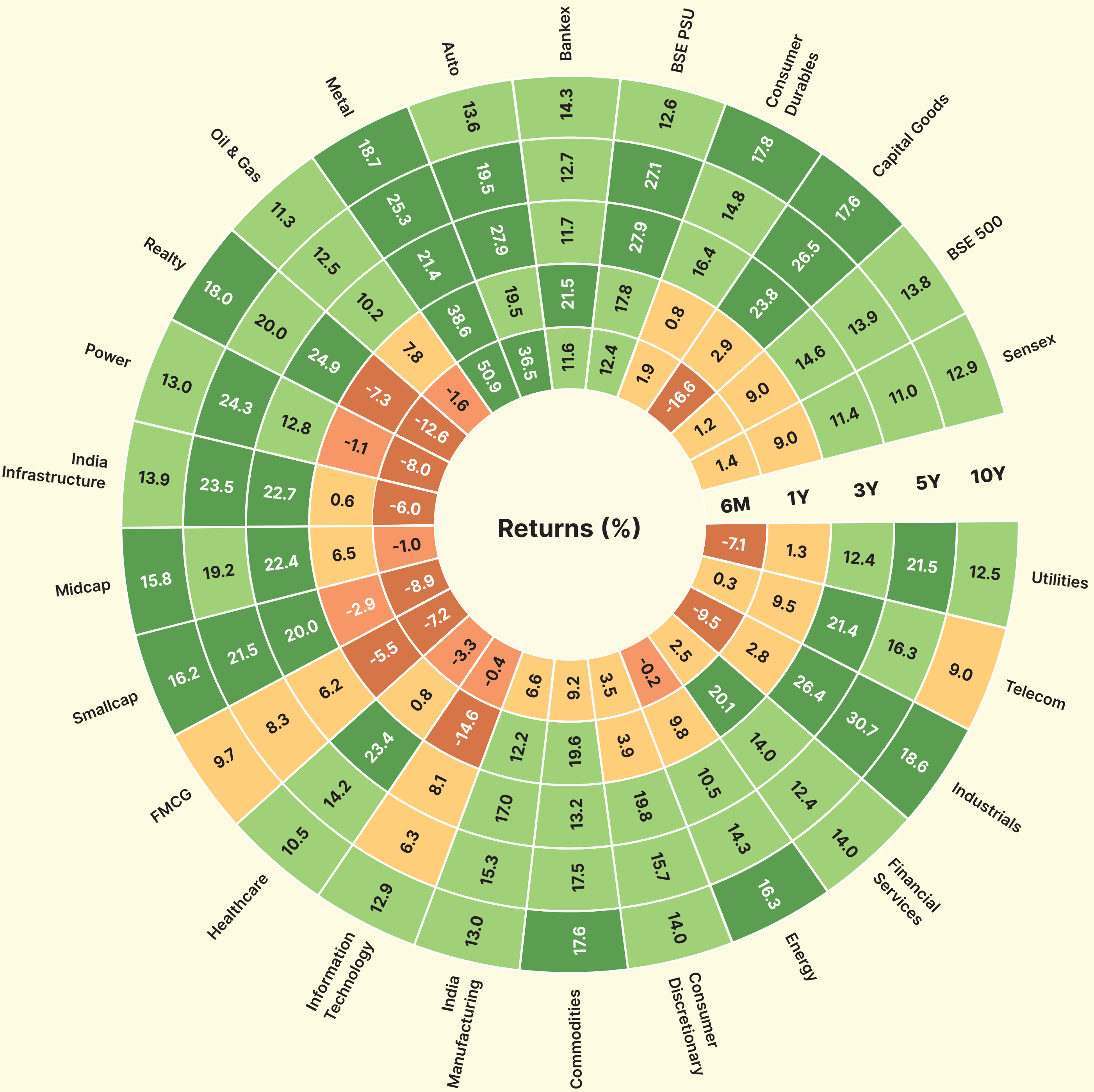
To sum up, the ICE business must continue driving cash flows even as the transition unfolds. Sudden disruption could upset this balance and temporarily undermine returns, however promising Shriram Pistons' long-term strategy may be. ☑

By Satyajit Sen

INDEX WATCH

Sector snapshot

Despite underperforming in the last six months and one year, the long term returns of most indices remain healthy, thanks to a strong bull run



Data as of January 14, 2026 for major BSE indices. Returns for over a year have been annualised.

'IT slowdown cyclical; to recover over medium term'

Despite a prolonged slump, SBI Mutual Fund's Vivek Gedda believes that the IT sector is nearing a turnaround

The Indian IT sector is navigating one of its longest slowdowns in recent memory, shaped by a post-pandemic moderation in tech spending, global macro uncertainty and hesitation around how Gen AI will reshape enterprise technology budgets. Despite this, Vivek Gedda, Fund Manager at SBI Mutual Fund, believes the slowdown remains cyclical rather than structural and expects the sector to recover over the medium term, with emerging technologies eventually supporting downstream revenue growth.

Gedda manages the SBI Technology Opportunities Fund and the SBI Innovative Opportunities Fund with a combined asset base of ₹11,207 crore. He joined SBI Mutual Fund in February 2022 and brings over 14 years of experience in financial services. An engineer by training, Gedda holds a B.Tech from IIT Madras, an MBA in Technology Management and a masters in science from the Hamburg University of Technology.

In this interview, Gedda explains how he reads early signals of a turnaround, identifies long-term growth verticals, assesses mid-cap potential, evaluates AI-driven change and flags the hidden risks facing Indian IT.

What makes the current slowdown in tech spending fundamentally different from earlier downcycles, and what would convince you that this is not merely a cyclical pause but something more structural?

If you look at the cycle, this has been the longest down cycle for Indian IT, at least compared to previous cycles, and that itself is very different. But I think this cycle has been unique for multiple reasons.

Firstly, it is coming off a very strong base of tech spending post-Covid, so maybe there was just a pause, a moderation and a mean reversion in the same.

But when that was starting to play out, I think we were hit with macro uncertainties on one side, and there was also this broader uncertainty driven by Gen AI. Normally, technology cycles help you navigate technology spending. However, this time I think the shift was so significant that, for example, most CIOs were unsure how to chart their tech spending. I think there was a lot of uncertainty from multiple angles.

At the same time, I do think there are many similarities between this cycle and the previous ones. For example, in earlier cycles, most enterprises focused on cost, and this time was no different. There was significant consolidation and a focus on potential insourcing. From that perspective, the cycle also has similarities with the previous ones.

Having said that, I'm in the camp that this slowdown is cyclical and that things will recover over the medium-term horizon. I think it's too early to say how some of the technological shifts we're seeing will structurally impact the sector. But I'm fairly certain that, in the medium term, this is likely to help Indian IT services by boosting downstream revenue.

What leading indicators do you track to decide when the risk-reward in the tech sector is improving or deteriorating, well before earnings numbers reflect it?

Well, there's no rocket science there. Very often, it is about talking to many people and trying to understand how corporates are spending on tech. But more from a data point perspective, we look at all the general macro indicators in the US. For example, what is consumer sentiment, what kind of growth is expected across different sectors, how is tech hiring going and what interest rates are prevailing? And that is also true of other markets, such as Europe and the UK.

> **An evolving tech landscape has benefitted mid-cap IT stocks a lot. Thus, despite their volatility, some of them may do much better than the large-cap IT names.**

But having said that, I think a lot of our work centres on understanding how people think about spending. You talk to a lot of salespeople and do a lot of channel checks to gauge sentiment, which gives you a very good indicator of how things could pan out over the next few months.

Looking beyond near-term recovery, which client verticals do you believe will structurally outspend the rest over the next decade, and why?

From a medium- to long-term perspective, I believe sectors with high data generation and extensive data use are likely to see a much greater need for IT services, including downstream services. In that context, I think segments like BFSI and retail are the verticals that would need significant downstream support from IT services companies.

The other area, which I believe could potentially drive spending, is regulatory and cybersecurity. While this is common across every vertical, I think, from a regulatory perspective, BFSI stands absolutely at the top. The second vertical that comes to my mind is healthcare. So, if I have to pick and choose, maybe these are the three verticals that, in my view, will do well in the medium to long term.

Investing in IT has long meant only focusing on the big players. Why has it been so, and do you think there is scope for change in the future where focus can meaningfully shift towards relatively smaller players?

When I think of large IT names, they were the ones that could invest in capabilities. They had a very strong talent pool, the ability to train people and also the ability to diversify across multiple verticals and geographies. But over the last seven to eight years, some of these mid-cap names have really benefited from two things.

First, with the changing technology landscape, there has been a much more level playing field, especially for companies learning new technologies, compared to firms with a much longer legacy. And more importantly, these mid-sized companies have done very well at hiring top talent from large-cap names, people with experience in executing large deals, managing large projects and delivering a similar level of customer satisfaction.

In that context, I think, by virtue of their size, small- and mid-cap names will always be more bottom-up and more volatile, but they have significant potential to grow much faster than some large-cap peers.

Thus, I do believe that from a medium- to long-term perspective, while not all mid caps will be significantly better than large caps, you will always find a few that can do much better than most of the large-cap names.

For decades, Indian IT grew by adding more people. In a future shaped by automation and AI,

what replaces headcount as the primary growth lever?
I think that going forward, revenue per employee will become a very important metric. That is to say, how many people you use, and maybe in the future, there will also be a lot of metrics around the digital workforce, such as the number of agents deployed in the system. All of that will finally translate into revenue per employee, and in my view, that will become the most important metric.

There may also be different kinds of metrics related to the digital workforce. Hence, it would be very interesting to see how the fact sheet of some of these Indian IT companies will look a decade from now.

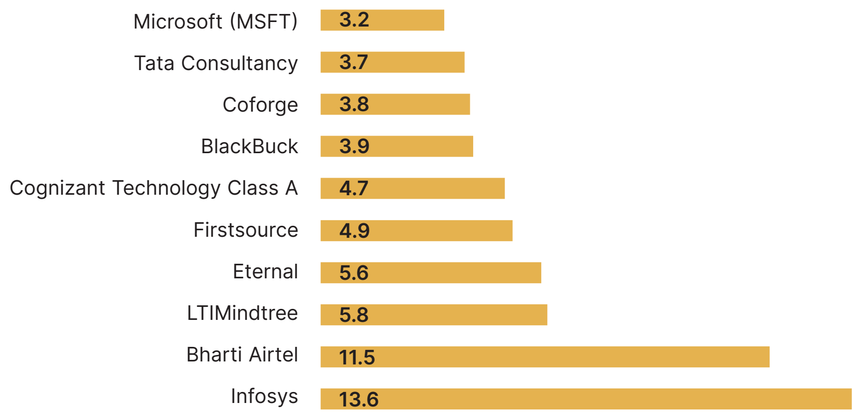
As investors, how do you separate AI-led revenue creation from narrative-building, and who ultimately captures the value from AI: clients, IT vendors or platform owners?
I believe that, over the long term, some of these large hyperscaler companies should benefit the most, but the end beneficiaries should be the clients, in my view. Now, I do think the IT services players will benefit in the medium term, as a lot of work will come their way.

But from a long-term perspective, I believe it will be a highly consolidated market, with some large tech or hyperscaler firms pocketing most of the gains, and enterprises should also benefit from improved productivity.

From a portfolio construction perspective, what role should global, especially US technology stocks, play alongside Indian IT, and how do their long-term risk-reward profiles differ?
I personally feel that some of these large global US companies should

Top 10 fund holdings

% of total assets



be part of the portfolio because I think it is a snowballing effect. Once you have a lead in some of these large technologies, it becomes very difficult to displace them. And as I mentioned earlier, I don't think the valuations are rich; they are reasonable and offer much better growth and visibility from a medium- to long-term perspective.

Therefore, having some allocation to these US names is, in my view, very essential if there is an option to do that. From a risk-reward perspective, I think it is better to stick with proven names rather than those that require more research to determine whether the risk-reward is positive or negative.

Compared to Indian IT, I think the risk-reward at this point in time looks very favourable for some of these US names, which is why we have them in our portfolio. There could be a lot of ebbs and flows in the short term, but from a medium- to long-term perspective, the fundamentals are highly skewed in their favour.

What is one future risk for Indian technology that doesn't show up in today's numbers but could materially impact long-term earnings power?
In my view, Indian IT is an industry that was built on two key pillars. One was clear cost arbitrage, and the second was the significant availability of relevant talent. I think, with the advent of Gen AI and especially agentic AI, the risk I worry about in the long term is that this moat could erode.

I still think IT services will be required in the medium to long term, but how those services are delivered could change dramatically. If delivery shifts significantly in favour of digital modes, then both the cost advantage and the talent advantage could come under pressure, because agents can be built anywhere in the world, and the cost of running them may not differ much across geographies.

From that perspective, these two edges are at significant risk and do not appear in the numbers at this point in time. So, I do believe IT services as an offering will remain relevant in the long term, but the way they are delivered is something we will have to watch closely. And in that context, whether Indian IT services will continue to remain as relevant as before is something we will have to wait and see. ☑

Finding the next Big Winners

By Abhinav Goel

If a retail investor were to redraw Maslow's hierarchy of needs today, finding an undiscovered stock would be somewhere near the top. Unearthing a hidden business before institutions and ahead of its wealth-building run is a constant endeavour. It is also the hardest.

Institutional investors have privileges largely beyond the reach of retail participants. They command vast research budgets, have access to company managements and employ seasoned analysts who track businesses full-time. Information flows to them early and often. Retail investors, by contrast, are underinformed and have limited tools at their disposal.

And yet, this information paradox also creates opportunities for the small, humble investor in places where the big guns are absent. The task is to find a way to spot them. That's what this story sets out to do.

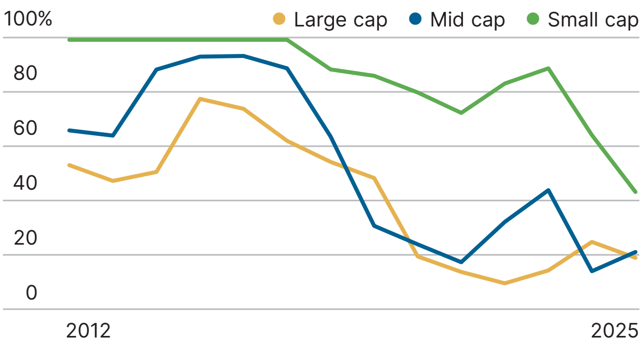
How popularity caps returns

Retail investors are perpetually hunting for undiscovered stocks for a simple reason: they are looking for meaningful mispricing that creates outsized gains. Without it, there is no scope for extraordinary returns.

But where analyst coverage is deep and mutual fund ownership is high, information travels fast. Earnings upgrades, margin changes, management commentary and sector developments are quickly absorbed into prices. Valuation gaps narrow. Markets become efficient. And the scope for sustained outperformance shrinks sharply. Mutual fund performance over the past decade illustrates this.

Too many eyes, too little alpha

Fewer large- and mid-cap funds beat the market over longer periods



Funds' outperformance was checked for overlapping five-year periods ending each year between Jun 29, 2012 and Dec 16, 2025. Compared with BSE 100 TRI, BSE 150 Mid Cap TRI and BSE 250 Small Cap TRI. As of 2017, all small-cap funds beat their benchmark due to no SEBI classification on where they could invest.

Within the large- and mid-cap category, where institutional presence tends to be higher, fewer funds outperform their benchmarks against the undernoticed small-cap segment, where a higher number of funds deliver alpha. The graph 'Too many eyes, too little alpha' shows a higher share of active small-cap funds that have beaten their benchmarks over five-year rolling periods as of each year between 2012 and 2025.

That more small-cap funds beat the market than large- and mid-cap peers is a function of structure. Large- and mid-cap stocks are owned and tracked more widely. New information is priced in almost instantly. Opportunities to generate alpha through stock selection become scarce.

Where the winners emerge

Small- and micro-cap stocks, on the contrary, remain the least crowded corner of the market and thus, delivering outperformance is relatively easier. Institutional presence here is thin, often absent altogether. Nearly 64 per cent of small- and micro-cap companies have no analyst coverage at all, as per ICRA research cited by a PGIM India report titled 'The Vantage Point'. Where large- and mid-cap stocks are tracked by an average of 27 and 16 analysts, respectively, small caps are tracked by eight and micro caps by barely two.

This imbalance slows price discovery. Improvements in business quality, stronger cash flows, healthier balance sheets and operational discipline often unfold quietly without immediate attention. Prices lag fundamentals, sometimes for years. When recognition finally arrives, it tends to arrive late and in size. Fresh institutional demand pushes valuations higher, often rapidly. The result is powerful re-rating cycles.

The proof in numbers

We backtested this thesis and the results added up. We constructed an equal-weighted portfolio of small-cap stocks filtered with a twin criterion every financial year from FY16 to FY20:

- First, promoter ownership above 40 per cent to ensure management's long-term commitment and alignment.
- Second, institutional ownership below 5 per cent to identify companies that remained largely outside professional portfolios.

No additional filters related to profitability, balance sheets, cash flows or valuation were applied at this stage.

We then compared the portfolio's returns against the BSE SmallCap Index in all possible five-year holding periods from FY16 to FY25. In four out of five periods,

The payoff from staying hidden

Portfolio with low institutional holding handily beat the small-cap benchmark

Returns (% pa)		2016-21	2017-22	2018-23	2019-24	2020-25
	BSE SmallCap Index	14	14	10	23	37
	Strategy	13	18	14	24	46

Returns calculated on a five-year rolling basis at the end of each financial year. Portfolio made on an equal weight basis.

the portfolio outperformed the index (see 'The payoff from staying hidden').

What explains this outcome? Not superior business quality. Not tactical timing. The edge simply came from delayed discovery, where owners had substantial skin in the game or enough vested interest in the business's success.

Slow discovery, big payoffs

Two case studies demonstrate this further.

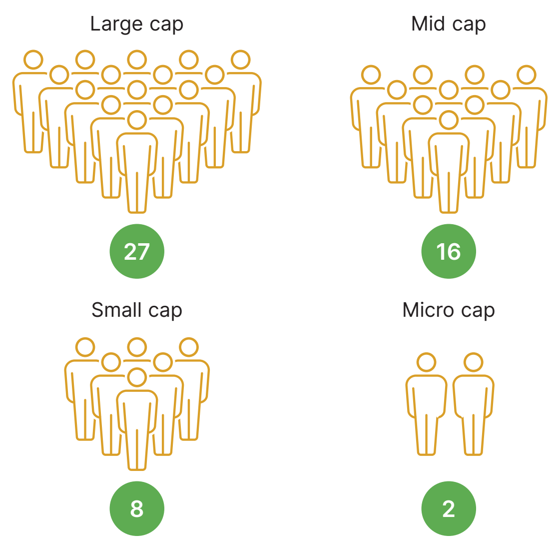
1) **Uno Minda** was a modest auto ancillary company with a small market capitalisation of about ₹300 crore, a high promoter stake of 71 per cent and a paltry institutional ownership of 0.7 per cent until FY10. The company was largely perceived as a component supplier in a fragmented industry and remained unnoticed.

But over the years, it steadily moved up the value chain and expanded from switches and lighting into a broader automotive systems portfolio spanning alloy wheels, castings, electronics and safety systems. A series of joint ventures, technical alliances and acquisitions, especially with global partners, allowed it to access technology and build scale ahead of demand. As revenues and profits compounded, institutional investors gradually took notice.

By September 2025, institutional ownership had risen to 25.8 per cent and its market capitalisation is up a staggering 253 times to nearly ₹76,000 crore today.

Off the market's radar

Analyst coverage thins as company size falls

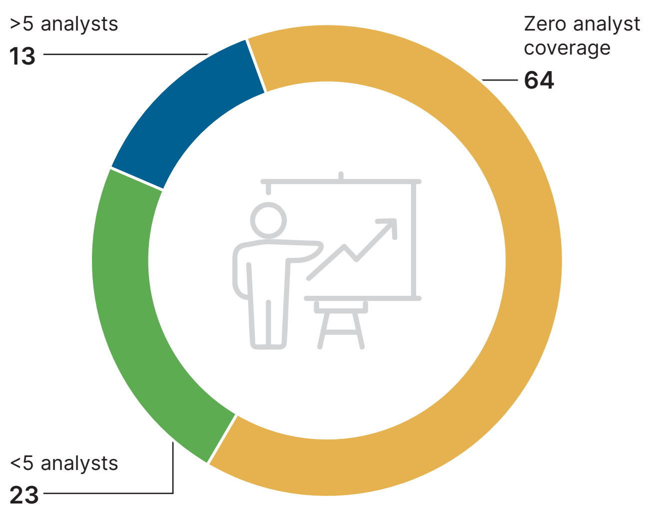


Source: ICRA. Data as of March 31, 2025.

Most small caps go untracked

Small- and micro-cap companies receive little to no analyst attention

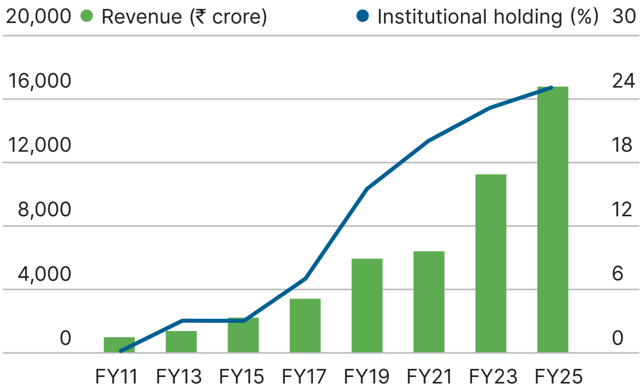
In %



Source: ICRA. Data as of March 31, 2025.

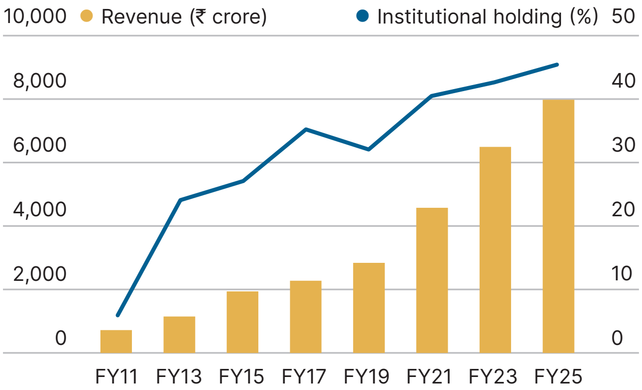
The road to recognition

How Uno Minda's growth brought market attention



Institutions arrive last

Capital followed as PI Industries delivered



2) **PI Industries** followed a similar arc in a very different sector. In FY10, it too had a market capitalisation of just ₹300 crore, with 75 per cent promoter ownership and zero institutional participation. The company operated in the agrochemical space, but its inflection came from a clear strategic pivot.

PI Industries chose to focus on custom synthesis and manufacturing (CSM) for global agrochemical innovators rather than commoditised formulations. Long-term contracts, export-led growth and deep process chemistry capabilities helped create earnings visibility and high return ratios. As the business scaled and margins improved, institutions began to enter. By September 2025, institutional ownership had climbed to 46.8 per cent, nearly matching its promoter ownership of 46 per cent, while market capitalisation has rocketed 167 times to about ₹50,000 crore today.

Where being early can go wrong

The information gap creates opportunity but also amplifies risk, especially as small- and micro-cap investing is not merely more volatile. It is structurally unforgiving. And the absence of institutions is not solely always due to neglect. Some real risks hinder their participation that retail investors must also bear in mind:

Many never make it. The biggest risk in under-researched territories like small and micro caps is business failure. Weak governance, fragile balance sheets and unproven business models risk destroying capital long before any discovery occurs.

The data makes this clear. Only about 4 per cent of large-cap stocks at the end of FY15 delivered negative absolute returns over the following decade. That number rose to 13 per cent among mid caps. In small and micro caps, it climbed to 18 per cent. More strikingly, nearly 4 per cent of companies in this segment were effectively wiped out.

These are not statistical curiosities but real businesses that failed to endure. For a retail investor, this is the hard boundary of the discovery thesis: information arbitrage works only if the business survives long enough to be recognised. Poor businesses do not turn into hidden gems simply because they are ignored. This is also why institutions stay cautious. Their absence often reflects a conscious decision to avoid high mortality zones where the odds of permanent loss outweigh the upside.

Information can fail you. In many small companies, disclosures are thin, management communication is inconsistent and data is difficult to verify. Conference calls may not be held or archived. Annual reports are often generic and backward-looking, offering little insight into evolving risks or strategy.

Institutions can sometimes still work around this. They have access to management meetings, analyst calls, plant visits and follow-up interactions. Retail investors do not. They must rely entirely on public information, and in this segment, that information is often incomplete.

The burden, therefore, shifts entirely onto the investor. Cross-checking filings, comparing peers, studying customers and competitors, tracking industry data and picking up channel signals becomes essential. This isn't a passive exercise, nor a casual pursuit. In practice, it demands effort and continuous monitoring.

This is where most investors stumble. Verifying business quality in obscure territory is difficult, time-consuming and easy to get wrong. Which is why a disciplined, repeatable framework, one that filters for business strength alongside discovery, becomes crucial.

Our framework

Finding quality stocks yet to be discovered by smart money

Our approach rests on a simple premise: in small and micro caps, discovery without quality is speculation. Institutional absence can signal opportunity but it can just as easily signal fragility. The framework, therefore, is designed to do two things simultaneously: identify under-owned companies and ensure they are built to endure.

We began by defining a workable universe of small- and micro-cap companies with a market capitalisation between ₹200 crore and ₹5,000 crore. This filters companies early enough to be institutionally under-owned, but not so small that disclosures and data quality become unreliable.

From this universe, we applied a set of filters that test for growth, capital efficiency, financial resilience and valuation discipline.

Growth Annual revenue and earnings growth above 10 per cent over the last five years.

Capital efficiency Five-year median return on capital employed (ROCE) above 12 per cent to ensure sustained returns above the cost of capital.

Leverage Debt-to-equity below 1.5 to reduce balance-sheet fragility and refinancing risk.

Cash conversion Five-year cumulative CFO-to-EBITDA above 65 per cent to ensure that profits translate into cash.

Skin in the game Promoter ownership above 40 per cent in each of the last four quarters ending September 2025.

Low institutional presence Institutional ownership below 5 per cent in each of the last four quarters ending September 2025.

Valuation guardrail Valuation Score above three to avoid overpaying even for good businesses.

After applying these filters, we were left with around 44 companies. From this shortlist, we selected 10 businesses through a deeper qualitative assessment of business models, competitive positioning and growth visibility. This final set illustrates the framework in action. And reflects a combination of solid fundamental parameters with room for market discovery. But remember not to construe this as a ready-made recommendation list. It is only a disciplined starting point for further due diligence.

Flying under the radar

10 overlooked small and micro caps with immense growth potential

Company	Market cap (₹ cr)	P/E	5Y growth (% pa) Revenue	5Y growth (% pa) Net profit	5Y cumulative CFO/EBITDA (%)	5Y median ROCE (%)	Debt-to-equity
Ram Ratna Wires	3,039	41.8	20.5	36.9	100.8	18.2	1.2
Steelcast	2,078	23.0	13.4	55.3	67.4	33.0	0.0
Thejo Engineering	1,958	36.6	12.7	11.5	71.9	32.1	0.0
Pix Transmissions	1,927	19.8	13.1	30.1	76.5	24.1	0.0
Jagsonpal Pharmaceuticals	1,294	20.7	11.1	39.5	113.0	21.2	0.0
Benares Hotels	1,233	28.7	16.3	32.5	79.5	35.6	0.0
KMC Speciality Hospitals	1,228	41.0	19.2	12.8	88.9	25.9	0.4
Sterling Tools	979	20.3	23.0	13.4	74.2	14.2	0.3
Eco Recycling	860	42.7	29.2	84.0	73.3	29.7	0.0
Aries Agro	423	11.2	16.0	31.1	131.9	14.7	0.2

Data as of December 29, 2025. Net profit is adjusted for exceptional items.

RAM RATNA WIRES

Wired for growth

The company may be far from the spotlight, but squarely at the heart of India's electrification push. It manufactures copper- and aluminium-based winding products that are essential components inside motors, transformers, pumps, renewable-energy systems and electric vehicles (EVs).

Ram Ratna runs fully integrated manufacturing facilities with a combined installed annual capacity of about 41,400 metric tonnes for winding wires. In FY26, it commissioned a new copper tube facility at Bhiwadi, Rajasthan, adding an annual capacity of 24,000 metric tonnes. This marks a meaningful extension into refrigeration and industrial cooling applications.

A defining strength of Ram Ratna is its deep original equipment manufacturer or OEM integration. Around 70-75 per cent of volumes are supplied directly to large OEMs, where qualification cycles are long and switching costs meaningful. Its ability to offer one of the widest gauge ranges, from ultra-fine wires to heavy conductors, reinforces its position as a reliable, full-solution supplier. Forward integration into copper tubes and a 50:50 joint venture with Epavo Electricals further anchors it in electrification-led demand.

★★★
Stock Rating

68.8
Sep '25 promoter holding (%)

0.4
Sep '25 institutional holding (%)

Rising electrification across EVs, renewables, railways and data centres demands specialised winding solutions. If execution stays disciplined, Ram Ratna is well placed to be a critical supplier to India's electrical ecosystem.

There still remain risks, though. Copper is the dominant input, exposing the business to raw-material volatility and high working capital requirements. While price pass-throughs exist, sharp swings can disrupt order flows. Competition in standard winding wires is intense, making continuous movement towards higher-specification and customised products essential.

STEELCAST

Built for pressure

The company operates in a corner of manufacturing, where tolerances are tight and failure is costly. It makes steel and alloy steel castings used in heavy engineering applications – mining, earthmoving, construction, cement, railways and defence – where components must withstand extreme stress. Its offerings span 5 kilogram to 2.5-tonne castings, supplied largely as fully machined, ready-to-use parts rather than raw castings, raising both complexity and entry barriers.

The company runs four facilities in Bhavnagar, with an in-house machine shop and a combined annual casting capacity of about 29,000 tonnes. Its competitive edge lies in large, complex and value-added structural castings, where few Indian foundries operate at scale. Its moulding processes for these structural steel castings make it relevant to global OEM supply chains.

This capability has translated into a diversified customer base. Steelcast supplies to over 47 global OEMs across more than 15 countries, with no single customer accounting for more than about 21 per cent of revenue. Customer stickiness is high: over 90 per cent of export revenues come from relationships that have lasted more than 15 years, reflecting the difficulty of vendor replacement once products are qualified.

★★★★★
Stock Rating

45.0
Sep '25 promoter holding (%)

1.3
Sep '25 institutional holding (%)

The risks are structural. Foundries are capital- and labour-intensive and exposed to cyclical swings in global infrastructure, mining and capital goods demand. In FY25, Steelcast operated at around 45 per cent capacity amid muted end-demand, despite stable order inflows. Management's strategy is to increase value addition rather than chase commoditised volumes. Utilisation is targeted to rise to about 65 per cent by FY27. Continuous investments in tooling, metallurgy and automation are key, and poorly timed capex can pressure returns.

THEJO ENGINEERING

Dominating the aftermarket

The company operates in industrial environments where reliability matters more than price. In its bulk handling vertical, it supplies conveyor belts, pulley lagging and accessories used in mining, cement, steel sectors, etc. The mineral processing arm provides equipment to beneficiation plants, where metallurgical processes transform minerals into higher-value products. Its corrosion protection solutions focus on coatings and asset life-extension for chemical, fertiliser and refinery clients.

Thejo's products are rarely standardised; they are customised for specific operating conditions and engineered in close coordination with customers. Once installed, switching costs rise sharply. This has helped the company build an installed base across over 600 customer sites globally, in sectors where downtime carries heavy economic penalties.

A key differentiator is Thejo's ability to combine products with on-site services. Shutdown management, maintenance support and operational troubleshooting are bundled with equipment, embedding the company deep into customer operations. This integration improves stickiness and also creates steady aftermarket revenue.

Risks stem from cyclical, project-driven end markets such as mining and cement, where demand depends on capex that can be deferred during downturns. The business also relies heavily on skilled labour across geographies, making execution sensitive to workforce availability and compliance. Overseas operations add currency, geopolitical and regulatory risks.

Thejo's strategy reflects this shift, with over half its revenue already coming from aftermarket services. By focusing on maintenance and upgrades at operating mines and plants, it aims to build repeat business and smoother revenue cycles.

★★★
Stock Rating

53.6
Sep '25 promoter holding (%)

4.0
Sep '25 institutional holding (%)

PIX TRANSMISSIONS

Keeping it moving

Pix Transmissions makes mechanical power transmission belts that keep machines running. These belts transfer power between rotating shafts in industrial machinery, agricultural equipment, automobiles and select consumer applications. They are critical parts in compressors, crushers, conveyors, harvesters and engines, where failure can bring operations to a halt. The company made over half its revenue from exports in FY25. It supplies customers across over 100 countries with major markets including the US, Germany, the UK, UAE and Thailand. Manufacturing is anchored in Maharashtra, supported by a distribution network geared towards replacement demand.

The core strength of Pix's business lies in its dominance of the replacement market rather than OEM supply. Most volumes are driven by routine wear and preventive maintenance cycles, making demand recurring and relatively predictable. Belts are low-cost components, which shift buying decisions decisively towards reliability. Pix has leaned into this dynamic by building one of the broadest product portfolios in the industry with over 80,000 product types. This depth is hard to replicate. For distributors, a comprehensive catalogue reduces inventory complexity and supplier dependence, creating strong switching barriers.

Pix is focused on scaling exports and deepening wallet share with existing customers. With its brand-led approach, product breadth and steady replacement demand, it represents a compounding industrial consumables business.

There are also operational and external risks. A wide product base requires tight inventory control and forecasting; lapses can hurt service levels or working capital. While Pix's avoidance of automotive OEM supply protects margins, it limits scale, while exports add currency and geopolitical risks.

★★★★
Stock Rating

61.8
Sep '25 promoter holding (%)

1.6
Sep '25 institutional holding (%)

JAGSONPAL PHARMACEUTICALS

Brands in good health

The pharma player is a branded formulations company with a portfolio spanning pain management, gynaecology, dermatology, anti-infectives and nutrition. It owns well-known prescription brands such as Diclogesic, Omnigel, Livogen, etc., many of which have been in the market for decades.

The company has consciously adopted a fully asset-light model. In FY25, it divested its Faridabad manufacturing facility and now outsources production entirely to approved third-party manufacturers while retaining control over brand ownership, marketing and distribution.

The strength of Jagsonpal's business lies in its brand-led, prescription-driven approach. It markets over 20 brands with an emphasis on building recall rather than chasing fast launches. Focus on therapies such as pain management and gynaecology supports repeat prescriptions, where doctor familiarity and patient continuity matter. The distribution network reaches over 1.5 lakh doctors, backed by a field force of more than 1,000 medical representatives, enabling consistent on-ground coverage.

★★★★
Stock Rating

67.5
Sep '25 promoter holding (%)

2.2
Sep '25 institutional holding (%)

The model operates in a highly competitive pharma segment marked by brand clutter and heavy promotion. Reliance on contract manufacturing demands tight quality control, while limited exports tie performance to domestic prescriptions. Any slip in field-force effectiveness can quickly hurt brand traction. The strategy ahead is measured. Jagsonpal is focused on strengthening its core brands and increasing its presence in chronic and sub-chronic therapies, particularly dermatology and gynaecology. Management plans to improve field-force productivity and deepen digital engagement with doctors. If executed well, this asset-light, brand-first approach can yield steady, cash-generative growth.

BENARES HOTELS

Hospitality, Taj-style

Benares Hotels operates two luxury properties in Varanasi – Taj Ganges and the heritage Taj Nadesar Palace – and a mid-scale hotel, Ginger Gondia, in Maharashtra. Since May 2011, it has been a subsidiary of Indian Hotels. All properties are run under management contracts, allowing Benares Hotels to remain the asset owner and commit initial capex while Indian Hotels handles operations, branding, reservations and loyalty programmes.

The company's key strength lies in the quality and irreplaceability of its assets, particularly in Varanasi. Taj Nadesar Palace is a rare heritage property with limited comparables, while Taj Ganges is among the largest branded hotels in the city, catering to pilgrims, leisure travellers, weddings and conferences. Operating under the Taj and Ginger brands gives the company access to Indian Hotels' loyalty base and pricing power without the execution risk.

The risks stem from concentration. Most of its revenue depends on Varanasi as a single destination, making performance sensitive to tourism flows, seasonality and local disruptions. With only three hotels, geographic diversification is limited. The business is also asset-heavy by nature, requiring regular maintenance and periodic refurbishment to remain competitive, especially in the luxury segment, where newer supply can quickly raise guest expectations.

★★★★★
Stock Rating

62.6
Sep '25 promoter holding (%)

0.0
Sep '25 institutional holding (%)

The outlook is closely tied to the structural rise in spiritual and experiential tourism in India. Varanasi has seen sustained growth in visitor inflows, supported by infrastructure upgrades and rising interest in cultural tourism. As one of the few owners of premium, branded hotel assets in the city, Benares Hotels is well placed to benefit through its association with the Taj portfolio. With a debt-free balance sheet, the company retains the flexibility to reinvest in its properties as demand evolves.

KMC SPECIALITY HOSPITALS

Winning by local roots

KMC Specialty Hospitals operates a tertiary-care, multi-speciality hospital in Tiruchirappalli, Tamil Nadu, serving patients across central and southern parts of the state. It runs two hospital blocks with a combined 450 operational beds – the original KMC Trichy facility with 250 beds and the Maa Kauvery block with 200 beds exclusively for mother and child care. Alongside routine secondary care, KMC offers specialities such as neurosciences, gastrosciences, orthopaedics, critical care and organ transplants.

The hospital's competitive strength lies in depth rather than geographic spread. KMC draws patients from a catchment extending over 200 kilometres, particularly for complex procedures where specialist availability is limited in smaller towns. Concentrating capacity at a single location enables better utilisation of infrastructure, operating theatres and senior clinicians – an important advantage in a talent-constrained industry. A workforce of around 170 doctors and 1,700 employees overall enables round-the-clock services. The Maa Kauvery block is strategically significant as it separates high-volume obstetrics and paediatrics from the main hospital, improving operational focus, throughput and patient experience.

The model carries inherent risks. Being people-intensive, outcomes depend heavily on doctor availability and retention. With operations concentrated in one city, the business lacks geographic diversification, while disruptions in high-specialty departments can quickly hurt reputation and referrals.

The near-term priority is ramping up utilisation at Maa Kauvery. For investors, KMC represents a regional tertiary-care franchise whose long-term value hinges on sustaining its dominance in referral demand before larger hospital chains turn their attention.

★★★★★
Stock Rating

75.0
Sep '25 promoter holding (%)

0.0
Sep '25 institutional holding (%)

STERLING TOOLS

Small parts for big gains

Sterling Tools manufactures high-tensile, cold-forged fasteners, indispensable components that hold vehicles and industrial equipment together. These are parts OEMs cannot compromise on because failure can halt entire assemblies. It supplies across automotive and industrial end markets, supported by four fastener plants and an aftermarket network of over 100 distributors. In recent years, it has added a second growth engine through its subsidiary, Sterling Gtake E-Mobility, which makes motor control units (MCUs) for electric two-wheelers, three-wheelers, and commercial vehicles.

The fastener business, which made up 70 per cent of the business in FY25 is defined by sticky relationships and high qualification barriers. OEM approval cycles are long, and once a supplier is embedded, consistency and defect-free supply matter far more than price. This creates stable, repeat demand. The EV arm provides optionality. By FY25, it expanded MCU capacity to 7.2 lakh units annually, signalling that the business has moved beyond pilot scale. Sterling is also broadening its EV offering beyond MCUs, including a licensing arrangement with UK-based Advanced Electric Machines for rare-earth-magnet-free traction motors.

The key risk lies in customer concentration. Around 60-70 per cent of its EV arm's volumes come from Ola Electric. The arm's Q4 FY25 revenue was dented after Ola moved certain models to in-house production, highlighting how quickly electric OEM relationships can change. To diversify, the group is setting up Sterling Tech Mobility, a new subsidiary for high-power safety switches used in EV motors.

Sterling's strategy is clear: keep the fastener franchise compounding steadily, while making the EV business less dependent on any single customer by deepening exposure to three-wheelers and commercial vehicles and adding higher-value EV components.

★★★
Stock Rating

65.0
Sep-25 promoter holding (%)

0.2
Sep-25 institutional holding (%)

ECO RECYCLING

From waste to wealth

Eco Recycling operates in an increasingly critical niche: formal e-waste management and recycling. Founded in 2005, it offers end-to-end services covering collection, reverse logistics, secure data destruction, IT asset disposition (ITAD), recycling and recovery of precious metals such as copper, aluminium, gold and silver. Operations are anchored at Vasai, Maharashtra, with an installed e-waste recycling capacity of 31,200 metric tonnes per annum, servicing corporates, PSUs and households via a pan-India logistics network.

Its competitive edge comes from first-mover advantage and regulatory credibility. Eco Recycling is among the earliest pollution control board-authorised recyclers and the only listed pure-play e-waste recycler in India, giving it visibility and compliance credibility in a sector dominated by informal players. Over time, it has expanded its service stack – lamp recycling, mobile data destruction, end-of-life product responsibility – increasing customer stickiness and wallet share. The company remains debt-free, funding capacity expansion internally.

★★★

Stock Rating

73.4

Sep '25 promoter holding (%)

1.0

Sep '25 institutional holding (%)

Eco Recycling's growth hinges on the formalisation of India's e-waste ecosystem. Stricter EPR enforcement is pushing volumes to authorised players, while demand for ITAD, data destruction and metal recovery deepens the moat. If enforcement holds, the company stands to benefit as a compliance-led infrastructure player, not just a recycler.

Risks still deserve investor attention. Informal recyclers continue to undercut pricing, especially in collection and low-grade dismantling. Volumes are sensitive to regulatory enforcement: when EPR compliance weakens, formal recyclers are hit first. Operationally, handling hazardous waste, fluctuating commodity recoveries and dependence on skilled labour add complexity.

ARIES AGRO

Profiting from precision

Aries Agro operates in a narrow but high-value segment of the fertiliser market: specialty and water-soluble fertilisers. Unlike bulk, heavily subsidised products such as urea or DAP, Aries' offerings are crop- and application-specific, catering to farmers focused on yield improvement rather than subsidy optimisation. Its portfolio spans chelated micronutrients, water-soluble fertilisers, crop blends and soil conditioners, sold under established brands. The company has an asset-heavy manufacturing model across plants, ensuring formulation quality and reliable delivery.

Its competitive edge comes from operating outside the subsidy ecosystem, free from regulatory price caps. Competing on efficacy and trust, Aries has built a deep on-ground distribution network, supported by agronomists, dealer engagement programmes and farmer education initiatives. Focus on water-soluble and chelated fertilisers – critical for drip irrigation and precision farming – enhances adoption. Domestic manufacturing reduces import dependence, cutting supply-chain risk and improving responsiveness to seasonal demand.

★★★★

Stock Rating

52.7

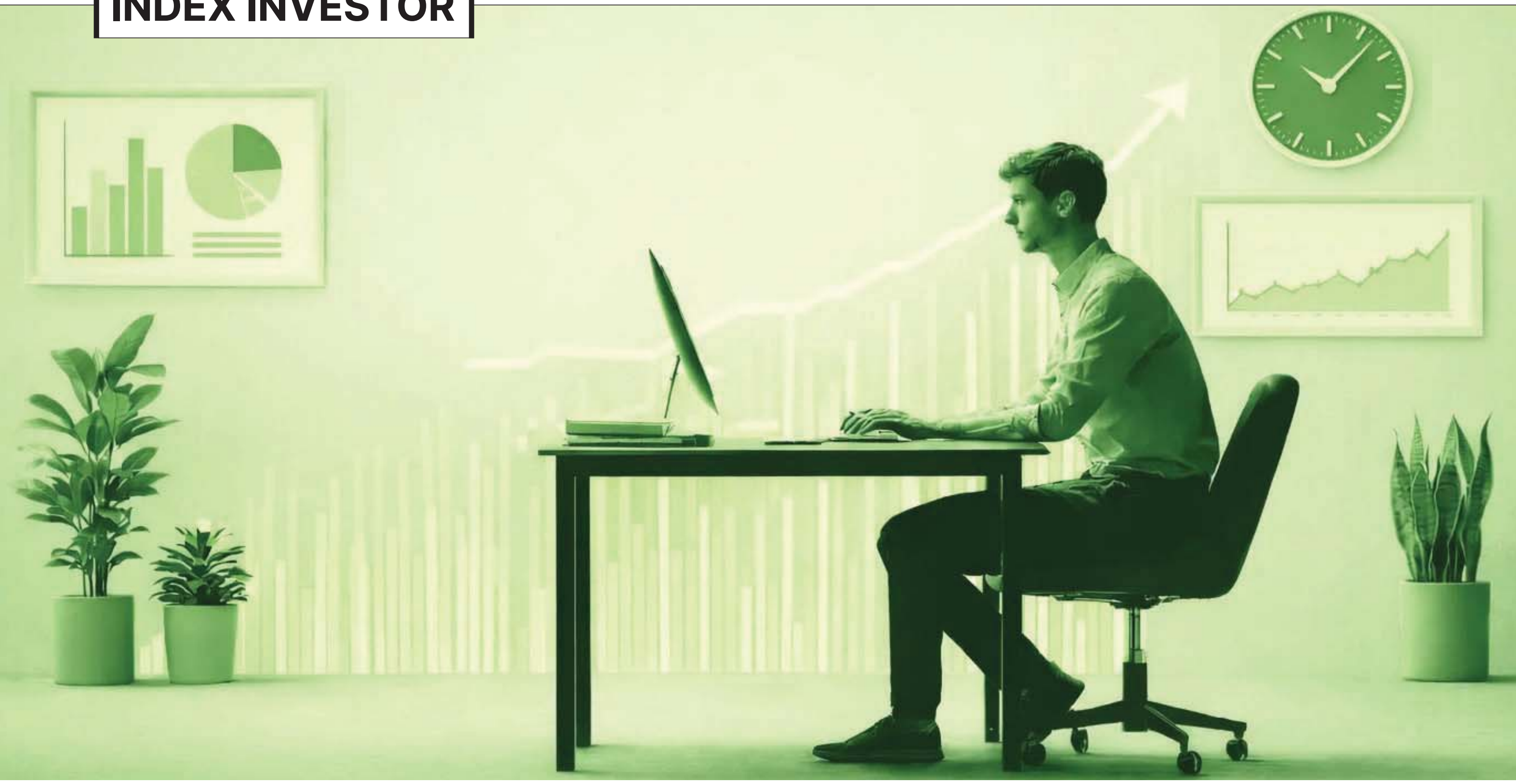
Sep '25 promoter holding (%)

3.2

Sep '25 institutional holding (%)

Aries is positioned to ride structural growth in Indian agriculture. Water stress and the shift to targeted nutrient use favour its specialised offerings, while established brands, field reach and manufacturing depth support its growth potential.

Some risks are still worth noting, though. Demand for specialty fertilisers is discretionary, influenced by farm incomes, monsoon variability and commodity prices. Competition is rising as larger fertiliser players expand into specialty segments, leveraging scale and dealer incentives. Fragmentation in the industry and inconsistent quality among smaller players can periodically erode farmer confidence in the category. ☑



Aditya Roy/AI-generated image

The cost of waiting

How trying to time the market ends up reducing returns

Index investing is often presented as the simplest way to build wealth. Buy the market, stay invested and let compounding do the heavy lifting. Yet, even investors who consciously choose indices frequently fail to earn index-like returns.

The reason has little to do with the product and everything to do with behaviour. Markets fluctuate and investors react. They wait for better prices, pause investments during uncertain phases or look for the 'right' opportunity to deploy money. These actions feel sensible, even prudent. But over time, they tend to work against investors. Two sets of data from the Sensex make this point clear.

The first dataset looks at rolling returns of the Sensex over the past two decades. Instead of calendar-year returns, rolling returns capture what investors actually experience – entering and exiting the market at different points.

The pattern is straightforward. Over one-year periods, the Sensex delivered negative returns roughly a quarter of the time. That volatility understandably unsettles investors. But as the holding period increases, the picture changes rapidly. At five years, the frequency of negative outcomes drops sharply. At 10 years, it becomes rare. Over 15-year periods, there were no negative outcomes at all.

This isn't to say that markets do not fall, they do. The point is that time, not timing, reduces risk. The index does its job if investors give it enough runway. And yet, many do not.

The urge to wait for opportunity

Knowing that markets are volatile, investors often try to improve outcomes by being selective about when they invest. Instead of committing money every month, they wait for corrections. The logic appears reasonable: Why invest when prices are high if a fall may be around the corner?

To test whether this instinct actually helps, we compared four investors over a 20-year period, all investing in the Sensex, with the aim to invest ₹1,000 every month. The difference lay only in their behaviour.

How time tames market volatility

Sensex rolling returns across different holding periods

	Rolling returns					
	1Y	3Y	5Y	7Y	10Y	15Y
Median return (% pa)	11.9	12.7	12.8	13.5	14.0	13.1
Average return (% pa)	18.6	15.8	15.3	15.0	14.7	14.1
% of instances of negative return	26.1	13.7	9.9	4.8	3.4	0.0
Best return (% pa)	274.4	91.8	61.5	44.8	36.1	27.8
Worst return (%)	-58.1	-23.1	-11.0	-6.0	-5.0	2.5

Based on daily rolling returns for a 20-year period since 2005

The first investor invested every month without exception. The second invested only when the Sensex had fallen by more than 5 per cent over the previous three months. The third and fourth followed the same approach but waited for deeper declines of 7 and 10 per cent, respectively.

To keep the comparison fair, any money not invested immediately was held in a bank deposit earning 3 per cent annual interest. When the chosen 'opportunity' appeared, the investor deployed the entire accumulated amount in one go. No savings were skipped. Only the timing differed.

The results were revealing, as seen from the table below. The first investor, who invested every month, ended up with the highest corpus. The other three who waited for opportunities did worse, and the more they waited, the poorer the outcome became. The second one who invested only after 5 per cent declines lagged marginally and the fourth who invested after 10 per cent declines was the worst off among all the four.

Doing less works better

How different investing behaviours shaped outcomes over 20 years

Criteria	Corpus value (₹)	Return (% pa)
Invests every month	9,73,518	11.4
Invests only when there is a 5 per cent decline over the past three months	9,43,067	11.2
Invests only when there is a 7 per cent decline over the past three months	9,22,442	11.0
Invests only when there is a 10 per cent decline over the past three months	8,90,463	10.7

Based on ₹1,000 invested every month. Amount not invested was deposited in bank earning higher returns. Return and corpus value includes the amount held in bank at the end.

This occurred despite two apparent advantages. First, the three investors entered the market at seemingly better prices. Second, their idle cash earned interest while waiting. Yet, neither advantage compensated for the cost of being out of the market.

There is a deeper irony here. Over the 20-year period, the three investors waiting for 5, 7 and 10 per cent declines actually put in more money in total, counting both market investments and interest earned on bank balances. And still, they ended up with less wealth despite more effort and more caution.

The invisible cost of waiting

The reason lies in opportunity cost, not missed bargains. The second investor stayed out of the market for nearly 10 months early on. The fourth one, who waited for 10 per cent falls, largely sat on cash since 2020, waiting for a correction that meets an increasingly demanding threshold. Each decision, taken in isolation, appeared rational.

Over time, the lost compounding overwhelmed any benefit of better entry prices. And interest on cash cushions volatility, but it does not substitute for growth. This is the quiet tax investors pay for trying to be clever with timing the market.

What this means for index investors

This is not an argument against being cautious. It is an argument against unnecessary intervention. Index investing works precisely because it removes the need for decision making. Once investors reintroduce discretion by waiting, pausing or looking for confirmation, they recreate the very behavioural risks that indexing is meant to eliminate.

The evidence points to a counterintuitive truth: doing nothing is often the hardest but also the most rewarding choice. Remaining invested does not guarantee smooth returns. It guarantees participation. And over long periods, participation matters far more than precision.

Markets reward time, not tactics. For most investors, the biggest improvement in returns does not come from finding better opportunities but from resisting the urge to wait for them. Index investing already does the heavy lifting. The real challenge is allowing it to work over time. Sometimes, staying invested is not just enough. It is optimal. ☑

Hot sectors? Just index it

How ETFs are reshaping the way investors take sector exposure

For years, passive investing was largely synonymous with broad markets. Investors who chose index funds or ETFs accepted a simple trade-off: give up the possibility of outperformance in exchange for low costs, transparency and consistency. That trade-off made most sense in large-cap equities where active managers struggled to beat benchmarks with any reliability.

But when it came to sectors, the rules were different. Sector investing was considered a playground for stock-pickers. Banking, Pharma, Technology or Energy exposure was supposed to be built by identifying the right companies at the right time. Passive investing stopped at the market-cap boundary.

That distinction is now fading.

The steady rise of sectoral index funds and ETFs has quietly altered how investors can access sector exposure. What was once an active-only domain can increasingly be navigated through rules-based, low-cost instruments. In the process, the need for active stock selection within sectors has reduced more than many investors realise.

What sectoral ETFs get right

Sector investing has always carried two layers of risk. The first is choosing the right sector at the right time. The second is choosing the right stocks within that sector. Active funds attempt to manage both.

Sectoral ETFs strip away the second layer. By construction, they hold the leading companies in a sector, weighted by market capitalisation or another transparent rule. There is no discretion involved, no style drift and no dependence on a fund manager's judgement.

This matters because historically, a large part of sector fund underperformance came not from getting the sector wrong, but from stock selection errors within the sector. Concentrated bets, timing mistakes and excessive churn often hurt outcomes even when the broad sector performed well.

For instance, Nifty PSU Bank ETF delivered annual returns of 36 per cent over the last five years however, your performance would have been very different if you actively picked stocks like Punjab & Sind Bank and UCO Bank in the index by giving them more weight, as they delivered only 16 per cent and 18 per cent annual returns in the same period.

Gaining scale

Rising AUM signal growing confidence

In ₹ cr

Sector	2021	2022	2023	2024	2025
Banking	29,477	31,008	34,789	38,297	46,392
Pharma	216	319	657	1,181	1,281
Technology	5,949	2,084	3,079	3,995	4,875
Consumption	56	73	110	239	378
Infrastructure	30	46	163	279	538
PSU	15,978	19,387	30,526	36,998	28,861

Passive sector funds remove that variable. Investors now express a view on a sector, not on individual companies. That is a meaningful simplification, especially for those who lack the time or expertise to track balance sheets, management quality and competitive dynamics within every industry.

The numbers tell the story

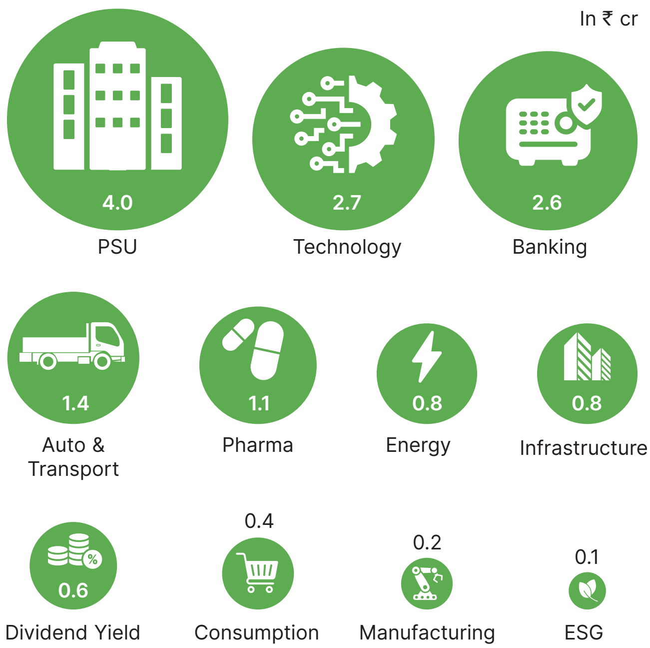
Assets under management (AUM) in sectoral ETFs have grown steadily over the past five years. Banking ETFs have expanded from roughly ₹29,000 crore in 2021 to over ₹46,000 crore in 2025. Technology ETFs, despite periods of global volatility, have maintained sizable asset bases. Infrastructure and consumption ETFs, once niche categories, have seen consistent growth. Even sectors like Pharma, traditionally considered stock-picking heavy, have witnessed a six-fold rise in ETF assets over this period.

This growth is not just an AUM illusion driven by market rallies. Liquidity has improved meaningfully as well.

Average daily turnover data for 2025 shows that several sectoral ETFs now trade in volumes that were unthinkable a few years ago. Banking and technology ETFs regularly see daily turnover running into multiple crores. PSU and infrastructure ETFs have also developed reasonable depth. Even sectors with smaller investor bases, such as Dividend Yield or ESG, now show enough activity to allow entry and exit without excessive friction for most retail investors.

Sectoral ETFs gain depth

Average daily turnover across sectors in 2025



You win if the sector wins

The rise of sectoral ETFs does not mean investors should suddenly chase sectors. But it does change the toolkit available to them.

Earlier, an investor who believed that Banking or Infrastructure would outperform had little choice but to either buy individual stocks or rely on an actively-managed sector fund. Both options required faith in a manager's ability to make the right calls within the sector.

Today, that same investor can take a cleaner view. If the thesis is that the sector as a whole will benefit from economic, regulatory or structural tailwinds, a passive ETF is often sufficient. The investor captures the sector's aggregate performance without worrying about which company wins the internal race.

This is particularly relevant in sectors where leadership shifts over time. In Technology or Pharma, today's leaders are not guaranteed to remain dominant a decade later. An index automatically adjusts for this. Companies that lose relevance drop in weight or exit the index, while new leaders enter. The investor does nothing.

Lower costs, fewer moving parts

Cost is another quiet advantage. Sectoral active funds often carry higher expense ratios than diversified equity funds, justified by the research effort involved. Sectoral ETFs, in contrast, tend to be cheaper and more predictable in their costs. Over long holding periods, this difference compounds.

More importantly, passive sector investing reduces decision fatigue. There is no need to evaluate fund manager changes, investment style shifts or portfolio churn. The rules are known upfront and remain consistent. This does not eliminate risk, but it does make the risk more visible. What you see is what you get.

What it does not solve

Sectoral ETFs do not protect investors from bad sector calls. If a sector goes through a prolonged downturn, a passive fund will fully participate in that decline. There is no defensive positioning, no cash buffer and no selective avoidance of weak companies.

Sector investing also remains cyclical by nature. Flows often peak after strong performance and dry up after prolonged underperformance. Passive instruments can amplify this behaviour because they make sector rotation easier to execute.

Liquidity, while improved, is still uneven. Banking and technology ETFs are far easier to trade than niche sectors. In smaller segments, spreads can widen during volatile periods. Finally, sectoral ETFs do not replace the need for asset allocation discipline. Overexposure to one or two sectors can distort portfolio risk, regardless of whether the exposure is passive or active.

The bottom line

The real shift is not that passive investing has conquered sectors. It is that active stock selection within sectors is no longer a necessity for most investors.

Sectoral ETFs allow investors to separate two decisions that were previously intertwined. The decision to back a sector and the decision to back specific companies. For many, making only the first decision is challenging enough.

Used judiciously, sectoral ETFs can complement a core diversified portfolio. They allow targeted exposure, transparency and ease of execution, without the complexity of stock picking.

But they also demand restraint. Sector bets should be limited in size, grounded in long-term reasoning and reviewed periodically. Passive instruments make execution easy. They do not make judgment irrelevant. ☑

Real cost of 'do it yourself'

Why managing your own stock portfolio might be the most expensive decision you will ever make

By
Dhirendra
Kumar

A few months ago, I had dinner with a friend who runs a thriving dermatology practice in South Delhi. He's brilliant at what he does; patients travel from other cities to consult him. But that evening, he looked exhausted, and not from a long day at the clinic.

"I've been up until midnight every night this week," he confessed. "Quarterly results season. I'm trying to analyse the companies in my portfolio, figure out where they are really heading." He paused. "I'm not even sure I understand half of what I'm reading."

Here was a man who had spent over a decade mastering medicine, who charged substantial fees for his expertise and who spent his evenings struggling through financial statements. And the worst part is that he wasn't even confident he was doing it right.

In my mind, this conversation crystallised something I've observed repeatedly over three decades in the markets: the true cost of managing your own investments goes far beyond the occasional wrong stock pick. It's a cost most people never properly calculate.

Let's do the arithmetic honestly. My doctor friend earns, let's say, ₹5,000 per hour when he's seeing patients. He spends approximately 15 hours a week on investment research, reading annual reports, tracking quarterly results, following market news and second-guessing his decisions. That's ₹75,000 worth of his professional time every week, or roughly ₹3 lakh per month, devoted to an activity in which he has no formal training and little confidence.

Even if he were merely resting during those hours instead of working, the benefit to his health and clinical performance would be substantial. Instead, he's hunched over a laptop, anxious and uncertain, trying to decode whether a company's 'cautiously optimistic' guidance means he should buy more or sell immediately.

And here's the painful truth: despite all this effort, his portfolio has underperformed a simple index fund over the past three years. The time cost is enormous, and the financial result is actually negative.

This isn't a criticism of my friend's intelligence. He's exceptionally smart. But intelligence in one domain doesn't automatically transfer to another. A brilliant cardiac surgeon wouldn't attempt to argue a case before the Supreme Court. A successful advocate wouldn't try to perform an appendectomy. Yet somehow, when it comes to investing, we assume that general intelligence and hard work are sufficient.

They aren't. Professional investment research is a full-time occupation requiring specialised skills developed over years. It demands understanding of accounting practices, industry dynamics, competitive positioning, management psychology and valuation methodologies. It requires tracking dozens of companies simultaneously, monitoring regulatory changes and staying alert to technological disruptions that might render a business obsolete.

The DIY investor is competing against professionals who do nothing else, who have access to management, who have better information and tools and who work in teams that can divide the enormous labour of comprehensive research.

But the cost isn't merely about suboptimal returns. There's also the psychological toll. My friend admitted he checks his portfolio daily, sometimes more than once. He feels anxious during market corrections and lies awake wondering if he should have sold a particular stock that's been falling. This constant low-grade stress affects his

> Professional investment research is a full-time occupation requiring specialised skills developed over time. This puts DIY investors at a disadvantage, as they lack the necessary resources, leading to low returns.

Illustration: ANAND

sleep, his mood and ultimately his performance in the work that actually earns him money.

The most successful people I know have learned a crucial lesson: focus your energy on what you have genuine expertise in, and delegate the rest to competent professionals. You would not do your own legal work or perform surgery on yourself. Why would you do your own equity research?

This is precisely the problem we built Value Research Stock Advisor to solve

Rather than adding to the noise of stock tips and recommendations that leave investors more confused than before, we created something fundamentally different: three complete, ready-made portfolios backed by a full-time research team that does the heavy lifting for you.

Our **Long-term Growth Portfolio** focuses on companies with consistent performance records and sustainable competitive advantages, businesses that can weather market turbulence better than most. The **Aggressive Growth Portfolio** targets high-potential companies for investors with longer time horizons and greater risk appetite. And our **Dividend Growth Portfolio** emphasises businesses with strong dividend-paying histories, offering the dual benefit of regular income and capital appreciation.

But the portfolios are only part of what we offer. Every month, our research team conducts thorough reviews of each holding. If a company's fundamentals deteriorate, if better opportunities emerge or valuations become stretched, we make the necessary changes and notify you immediately with clear explanations. You don't need to read quarterly results at midnight or decode management commentary. That's our job.

Think about what this means for someone like my doctor friend. Instead of 15 hours per week of anxious, uncertain research, he simply follows a professionally managed portfolio aligned with his goals. He invests systematically, receives updates when action is needed and reclaims his evenings for rest, family or seeing additional patients.

At ₹9,990 per year, **Stock Advisor** costs less than what many professionals earn in two to three days. Yet it replaces hundreds of hours of amateur research with professional analysis and ongoing guidance.

The DIY approach to investing carries costs that most people never fully reckon with – opportunity costs, psychological costs and, often, actual financial costs from suboptimal decisions. In a world where specialisation drives success, insisting on managing your own portfolio isn't a badge of honour. It's an expensive indulgence.

Whether you're a doctor, a lawyer, a business owner or any professional whose time has significant value, the question isn't whether you can manage your own investments. The question is whether doing so makes sense when a better alternative exists.

Rethinking the PEG ratio

Why treating the PEG ratio as a simple shortcut can be misleading

By **Ashish Menon**

Since September last year, Indian equity indices have largely gone nowhere. At the headline level, very little seems to have happened. However, at the stock level, a lot has. Of a universe of more than 4,500 listed companies, only about a quarter are in the green. The rest have suffered declines ranging from mild corrections to 20-30 per cent drawdowns. A striking 17 per cent of stocks are down more than half. This has not simply been a market crash, but a slow, selective unwinding of excess.

For investors, this is usually when the hunt begins: flat indices, bruised stocks and the temptation to believe that 'value has reappeared'. But the hunt quickly runs into an old problem: How does one balance growth with valuation when the future is uncertain and the past looks deceptively precise?

The seduction of the PEG ratio

This is where simple heuristics gain power. When uncertainty rises, investors reach for ratios that promise clarity. Few have acquired as much near-automatic authority as the price/earnings-to-growth or the PEG ratio.

In theory, PEG offers an elegant answer. It adjusts valuation for growth and is meant to show whether a stock is cheap or expensive relative to its potential. A high P/E may be justified if growth is strong; a low one may not be cheap if growth is weak.

In practice, PEG quickly becomes a rule-of-thumb seen as a verdict rather than a guide. A PEG below 1 is widely read as cheaper growth and above 1 as excess optimism.

What the data on winners actually shows

But if PEG were a reliable shortcut, where lower automatically meant better, market winners should cluster neatly at the lower end of the ratio between 0 and 1. They do not. An analysis of Indian stocks that outperformed the market over five-year rolling periods between 2015 and 2025 reveals this:

On average, 35-45 per cent of winners had negative PEG ratios – companies with negative earnings growth in the preceding five years. These were turnarounds, cyclicals emerging from stress or businesses that simply stopped deteriorating. In such cases, the PEG ratio is meaningless or actively misleading, as it either produces extreme values or signals cheapness where none exists.

Among the remaining winners, the distribution is even more revealing:

- About 30 per cent of the outperformers were stocks with a PEG below 1
- 10-12 per cent sat in the 1-2 times range
- 5-8 per cent had PEG between 2 and 3 times
- And 10-15 per cent delivered strong returns despite a PEG above 3 times

In other words, a meaningful share of market outperformance came from stocks sitting in higher PEG brackets. This is not a defence of expensive stocks, but a reminder that PEG should be assessed in context, not applied as an absolute rule.

And the context lies in understanding how it is typically constructed and what it ends up measuring.

Why backward-looking PEG works until it does not

In practice, PEG is rarely used as intended. Forward growth, the number that actually matters, is uncertain and constantly revised. So, investors quietly substitute it with history, plugging in five- or 10-year earnings growth.

Used this way, PEG works best where growth is steady, returns are durable and valuations have not priced in endless longevity. Problems arise when the ratio is applied to businesses whose growth is changing or reverting.

> PEG ratios can sometimes be misleading. For instance, a study of Indian stocks over five-year rolling periods showed 35-45 per cent of stocks that outperformed had a negative PEG.

Some stocks look 'expensive' because past growth is slowing. The PEG rises. Yet, the business may still be compounding at healthy rates, supported by reinvestment opportunities and structural demand.

Take Titan Company. In 2020, it optically looked expensive, with a PEG above 4 despite earnings growth of 13 per cent over the prior five years. Over the next five years, earnings still compounded at around 17 per cent and the stock outperformed. The high PEG reflected underestimated durability, not excess valuation.

Conversely, some stocks look 'cheap' because past growth was unusually strong, so PEG falls. But that growth may have been cyclical or margin-driven. When it fades, earnings and valuations compress together.

Avanti Feeds illustrates this. In 2019, the stock appeared attractive with a PEG below 1 after five years of nearly 30 per cent earnings growth. Between 2019 and 2024, growth slowed to 6 per cent and the stock underperformed. A low PEG built on peak growth masked fragile expectations.

The ratio thus penalises persistence and rewards cyclicality, exactly the opposite of what long-term investors should want.

The real risk is not valuation, it is expectation

Most investors think valuation risk comes from paying too high a multiple. In reality, valuation risk comes from paying for the wrong expectations.

A high PEG feels dangerous because it appears to assume too much growth. But in many quality businesses, the market already expects growth to fade. What looks like 'paying up' is often paying for predictability and balance-sheet strength. A low PEG feels safe. It reassures investors that little is priced in. Yet, these stocks often embed an assumption that recent growth will persist. When it does not, the downside is swift. PEG, therefore, does not measure expectation risk; it hides it.

Why turnarounds dominate the return table

Once expectation risk is understood, the dominance of turnarounds becomes easier to explain. Many outperformers emerge from negative growth not because they look cheap, but because expectations collapse faster than reality. Even modest improvement then drives large returns.

These situations sit outside PEG's comfort zone. Growth rates distort, denominators misbehave and the ratio offers little guidance, yet returns can be

Illustration: ANAND

substantial. This explains why a framework obsessed with smooth growth misses large part of market reality.

A more useful way to think about PEG

The lesson is not to discard PEG, but to downgrade its authority. Used carefully, it can still help flag extremes. But it works best as a question, not an answer:

- Is past growth structural or cyclical?
- Has the business reinvested for growth, or merely benefited from margins?
- Are returns on capital stable across cycles?
- What does the current price actually assume about the future?

PEG can point to where expectations may be misaligned. It cannot tell you whether they are wrong.

The quiet opportunity in an uneven market

A flat market with violent stock-level dispersion is uncomfortable. It exposes lazy frameworks and punishes borrowed confidence. However, it also creates an opportunity for investors willing to think beyond neat ratios. The best returns rarely come from where valuation feels safest or growth looks cleanest. They come from places where expectations and reality are temporarily out of sync. PEG can help identify those moments, provided if it is treated as a prompt to think harder, not a verdict to follow blindly. ☑

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The hidden tempo of thematic investing

The journey of each theme is often more revealing than the returns

By
Arpit Nayak

Every few years, markets force investors to confront an uncomfortable truth. The same investment decision can feel sensible in one phase and deeply frustrating in another. What changes is not always the idea, but the kind of uncertainty that comes with it.

Over the years, a pattern repeats. Investors exit certain ideas when nothing seems to be happening and others when everything looks certain. Both decisions feel rational in the moment. The regret shows up later, quietly, when the cycle has already moved on.

Some investments behave like long construction projects. Progress is slow, interruptions are frequent and the payoff comes after long stretches of inactivity. Others resemble repairs undertaken after a storm, where the opportunity exists only for a limited window and acting too early or too late can be equally costly. The mistake is assuming both should be judged on the same clock.

What often goes wrong is not the idea, but the assumption that all risks behave alike. Portfolios quietly accumulate exposures that respond very differently to time and cycles, until the experience makes those differences hard to ignore.

Success in cyclical strategies depends on multiple factors. While drawdowns can be sharp, recoveries are also swift. Here, timing matters as much as the theme.

Einstein, Van Gogh and your portfolio

This becomes clearer when investors turn to thematic funds. Often discussed as a single category, these strategies rest on very different assumptions about how change unfolds. Neil deGrasse Tyson once made an observation that is useful here. Einstein's ideas, he argued, were almost inevitable. Given where physics was headed, someone would have reached similar conclusions. Van Gogh's paintings were the opposite. They were singular creations, powerful precisely because they were not inevitable and could not be repeated.

Structural allocations are the Einsteins of a portfolio. Anchored in shifts such as technology adoption, demographics or formalisation, their progression is predictable over a long horizon, though rarely linear. Historically, these strategies have seen drawdowns of 20 to 30 per cent, with time-to-normalisation spanning three to five years. The challenge is not conviction, but remaining invested when nothing seems to be happening.

Cyclical strategies resemble singular creations. Like Van Gogh's paintings, their success depends on timing, policy and market conditions that may not repeat soon. Outcomes are shaped by credit conditions and commodity prices. Drawdowns tend to be sharper, often crossing 35 to 40 per cent, but recoveries can be swift. Here, timing matters as much as the theme.

The real danger lies in misreading what you own, because living through these strategies feels fundamentally different. Instead of sorting themes by sector or story, it helps to ask three simpler questions: role, rhythm and response. What role does it play in the portfolio as a stabiliser or an accelerator? What rhythm does it operate on through gradual compounding or episodic repricing? And what response will it demand when pressure builds through neglect or intervention?

The silent strain of themes

If performance tells you what happened, these measures tell you what it felt like to hold it. What the table

Structural vs Cyclical: An emotional profile

Metric	Structural	Cyclical
Rolling returns (5Y / 10Y)	15.8% / 14.2%	12.4% / 11.8%
Max drawdown	-0.22	-0.54
Recovery time (Months)	8	26
Reward-to-risk ratio	2.6x	1.4x
Herding / Sentiment beta	1.28 / 0.32	2.85 / 1.05
Omega ratio (10%)	1.72	1.08
Ulcer Index	4.2	11.8
Exit rate	0.12	0.49

Based on a 10-year rolling analysis (Jan 2016 - Jan 2026) of NSE India Thematic Indices (Structural: Nifty Consumer, Digital, Pharma, BFSI; Cyclical: Nifty Metal, Infra, Commodities, PSU). Metrics such as drawdowns, recovery, Ulcer Index, Omega ratio and sentiment sensitivity were calculated from index price series using standard methods. AMFI Monthly Industry Reports (Dec 2025 edition) were used to reference investor behaviour patterns such as exit frequency. Past performance is no guarantee of future results.

'Structural vs Cyclical: An emotional profile' captures isn't performance, but emotional tension. Structural themes combine low sentiment sensitivity (1.3), a contained Ulcer Index (4), an Omega Ratio above 1.7 and an average recovery of eight months, showing why discomfort remains manageable and long-term gains reward patience. They behave like anchors: price dips are often noise rather than trend reversals, allowing for passive rebalancing and investors suited to these strategies tolerate steady engagement without frequent judgment.

Cyclical strategies carry a higher emotional cost. With sentiment sensitivity at 2.8, a double-digit Ulcer Index, a 26-month average recovery and an Omega ratio near one, holding on becomes a high-stakes choice, not a default. Returns arrive in bursts, tension peaks unpredictably and exits are frequent. These narratives behave like sails, powerful only if sized carefully. Because cyclical recovery averages 26 months, a Time Stop protocol acts as a circuit breaker. If the anticipated cycle shift doesn't materialise within this window, the probability of impairment outweighs the hope of recovery. Increasing the sail without an anchor shifts the portfolio from discipline to speculation.

The real mistake in thematic investing is choosing the right strategy in the wrong role within the portfolio. Structural strategies disappoint when treated as short-term opportunities. Cyclical strategies create damage when held with long-term expectations. In both cases, the issue stems from misalignment, not analysis.

The highest Decision Score comes from recognising this fit early. When holding behaviour matches the idea, volatility loses its power to force bad decisions. The risk is rarely the drawdown itself, but the moment impatience turns into action. As we move from understanding the strain to considering the holding, it's worth remembering that thematic losses rarely come from poor analysis. They emerge from how investors behave under pressure.

Matching theme tempo

The most critical decision in thematic investing isn't the selection of the trend, but the calibration of the holding. Every strategy operates at a different pace. Some move with slow, underlying momentum and reward neglect as much as attention. Others release energy in bursts, interacting forcefully with sentiment, timing and patience. Problems begin when both are treated as interchangeable.

A theme's 'identity' usually follows its drivers. If returns depend on policy or prices, the theme behaves like a sail, powerful but dependent on timing. If it depends on habits or demographics, it acts more like an anchor, steady and predictable. Most portfolio friction comes from the theme itself, but from holding a sail with an anchor's mindset. When investors recognise a theme's operating logic, deviations look like information rather than noise, turning tension into insight than impulse.

The data suggests a natural boundary for patience. If a cyclical holding remains stagnant beyond its typical cycle, it risks turning from a temporary opportunity into a structural trap. At that point, the probability of impairment begins to outweigh the comfort of waiting.

Ultimately, thematic investing reveals something more personal than market skill. It exposes whether a portfolio has been built in harmony with investor's tolerance for time, uncertainty and pressure. Returns rarely fail because themes are wrong. They fail when holdings demand more emotional capital than investors can give.

The math of thematic investing is relatively simple, but psychology isn't. It needs honest audit of why a theme is in the portfolio to begin with. If the idea's tempo is faster than your temperament, even the 'right' theme can feel wrong. The bigger danger is not that the market runs out of momentum, but the investor runs out of conviction just before the cycle completes. ☑

Arpit Nayak is a part of the sales team at WhiteOak Capital Mutual Fund. He enjoys writing to simplify investing by providing clear insights and focusing on the behavioural aspects of financial decisions. He believes that smart choices come from clarity, not complexity.

The overlooked battery metal

EVs and storage reshape demand as supply struggles to keep up

By Advait Arora

When investors discuss EVs, the focus almost always falls on lithium. At times, copper enters the conversation. Rare earths also have their moments. Yet, the most important material inside a lithium-ion battery is often overlooked: graphite.

Every EV battery contains roughly 50 to 100 kilograms of graphite in its anode. By comparison, lithium accounts for only eight to 10 kilograms by weight, while nickel and cobalt, despite attracting far greater attention, are also used in smaller quantities. Put simply, graphite is the single largest material component of a lithium-ion battery, quietly doing its job while attention stays elsewhere.

This matters because graphite demand is changing rapidly. Battery anodes already consume about 1.3 million tonnes of graphite, roughly 28 per cent of global demand. Over the next decade, as EVs and large-scale energy storage systems expand, that share is expected to rise sharply, potentially exceeding 60 per cent by the mid-2030s. In absolute terms, total graphite consumption could grow several times over current levels.

EVs are not the only driver. Grid-scale battery installations are expanding as renewable energy use increases, helping manage the variability of solar and wind power. Data centres supporting AI workloads are also adding large battery back-ups to ensure uninterrupted operations. Individually, these projects attract limited attention. Collectively, they form a steady and growing source of demand.

Supply, however, remains tightly constrained. China accounts for roughly 65 to 70 per cent of global natural graphite mining and controls close to 90 per cent of the processing capacity required to convert graphite into the highly purified, spherical form used in battery anodes. This processing stage is capital-intensive, technically complex and environmentally challenging, which explains why it remains concentrated in a single geography.

Battery-grade graphite, therefore, commands a substantial premium over standard flake graphite. While the US and Europe have designated graphite as a critical mineral and announced plans to develop domestic supply chains, converting policy intent into real supply takes time. A new graphite mine typically requires 5-10 years to reach commercial production, and permitting timelines in many Western jurisdictions remain slow.

Recycling offers only limited relief. Most estimates suggest recycled graphite will meet less than 5 per cent of total demand by 2030, largely because today's EVs have not yet reached the end of life in meaningful numbers. For the foreseeable future, primary supply will dominate.

Cost is another hurdle. Building an integrated mining and processing operation can require over $500 million in capital. Outside China, many graphite deposits are lower grade, increasing both costs and technical complexity when aiming for the 99.95 per cent purity required for battery applications. Thus, many announced projects fail to progress beyond the planning stage.

The arithmetic becomes clearer when viewed through the lens of EV adoption. Even assuming annual EV sales of around 30 million units by 2030, graphite demand for anodes could reach 1.5-3 million tonnes a year. When energy storage, consumer electronics and industrial uses are included, the gap between demand and non-China supply capacity becomes difficult to ignore.

This doesn't imply an immediate shortage or a linear outcome. Commodity markets rarely move that neatly. But it points to a growing imbalance between where demand is heading and where supply, particularly processed supply, can realistically come from over the next decade.

Graphite may lack the narrative appeal of lithium or the geopolitical intrigue of rare earths. Yet as the electric transition gathers pace, the most important constraints may well lie in the least-discussed parts of the value chain. Sometimes, the materials that matter most are the ones hiding in plain sight. ☑

Advait Arora, known famously as 'Wealth Enrich', is an independent investor with over two decades of experience. He also holds a Master's in IT management and an MBA.
The views expressed herein are personal and for informational and educational purposes only.

Why most active managers continue to underperform

And why we still need them, despite the popularity of passive investing

By
Anand Tandon

For over a decade, active equity managers have been losing the argument. Study after study shows that the majority underperform their benchmarks after fees. Assets have steadily migrated to passive funds, and with it, a narrative has taken hold: markets are too efficient, alpha is illusory and discretion is a liability. Yet, this conclusion is both too convenient and flawed.

Two books – Rupal Bhansali's *Non-Consensus Investing: Being Right When Everyone Else Is Wrong* (2019) and Pulak Prasad's *What I Learned About Investing from Darwin* (2023) – offer a nuanced defence of thoughtful active management. They argue, through very different intellectual lenses, that the problem is not active management *per se*, but how it is practised, incentivised and constrained.

The perils of active management: Incentives and underperformance

Active management, as it exists today, is structurally designed to fail, and it has. Over 75-90 per cent of US equity funds fail to outperform the market across 5-20-year periods, with similar trends in India. The central problem with active management is not a lack of intelligence or information. It is misaligned incentives.

As Bhansali points out, the industry is designed to hug the benchmark, not beat it. A fund manager's greatest fear is not losing money for you; it is underperforming their peers by a wide margin and getting fired. This leads to 'closet indexing' – buying the same popular stocks as everyone else (the consensus) to ensure that, if they go down, at least they go down with the crowd. You cannot outperform by doing what everyone else is doing. As Bhansali observes, "It is not enough to be right; one must be non-consensus to earn excess returns." Yet, non-consensus positioning is precisely what institutional incentives discourage. Underperformance, in this context, is not surprising; it is inevitable.

This structural flaw creates an opportunity for passive management, which simply accepts market returns at low cost. But Bhansali warns that passive investing has its own dangers; it blindly allocates capital to the largest companies, regardless of valuation or quality. It amplifies bubbles.

Paradoxically, the dominance of passive investing has made genuine active management not less necessary, but more so. Passive funds are pure price-takers; they buy and sell because rules tell them to, not because they have a view on value. They depend on others to do the messy, uncertain work of price discovery. That is why a healthy passive universe needs a small but genuinely active minority willing to diverge boldly from the index. The solution lies not in abandoning active investing, but in rebuilding it around error minimisation, decision selectivity and intellectual independence.

The second structural flaw is overactivity. Managers feel compelled to act because inactivity is difficult to justify to clients. Capital is recycled frequently, forecasts are updated incessantly and positions are tweaked to appear responsive. Yet, frequent action increases transaction costs, taxes and most importantly, the probability of error.

> Over 75-90 per cent of US active equity funds fail to outperform over 5-20 years, with similar trends in India. The issue with active management isn't lack of intelligence or information, but misaligned incentives.

In practice, active management becomes a game of motion rather than judgment.


Illustration: ANAND

Reframing active investing: From alpha seeking to error avoidance

Pulak Prasad's *What I Learned About Investing from Darwin* offers a crucial reframing. Investing success, he argues, is less about brilliance and more about survival. Evolution does not reward the boldest species, but the ones that avoid extinction. The same logic applies to capital.

Prasad introduces the idea of 'Type 1 and Type 2 errors', borrowed from statistics but applied to investing.

- Type 1 error (Commission): This is buying a bad company, thinking it is good. It's the 'false positive'. You buy a company with poor governance or high debt, and it blows up. The result is a permanent loss of capital.
- Type 2 error (Omission): This is missing a good company, thinking it is bad (or just missing it entirely). It's the 'false negative'. You passed on Titan or Bajaj Finance because it looked expensive. The result is a missed opportunity, but your capital is still safe.

Most investors obsess over Type 2 errors. They fear missing the next multibagger. Careers are built on identifying winners, not avoiding losers. Yet evolution favours those who minimise Type 1 errors. A deer at a watering spot that mistakes a lion for a rock (Type 1 error) is dead. A deer that mistakes a rock for a lion (Type 2 error) is just a little thirsty, but alive to drink another day.

As Prasad notes, avoiding extinction matters more than achieving brilliance. Capital that survives compounds; capital that does not is irrelevant.

Bhansali echoes this from a different angle. She argues that avoiding losers is more important than finding winners, because losses require asymmetrically higher gains to recover from. A 50 per cent drawdown requires a 100 per cent gain just to break even. Error avoidance, therefore, is not conservatism; it is arithmetic.

For you, the investor, this means: it is okay to miss a multibagger. It is not okay to lose 50 per cent of your capital on a speculative bet. If you eliminate the Type 1 errors – the frauds, the debt-heavy conglomerates, the flashy IPOs without profits – your returns will naturally drift upwards. You win by not losing.

Why conventional research increases errors

If error reduction is the goal, then much of traditional equity research is counterproductive.

The standard research toolkit – management meetings, earnings forecasts, channel checks – creates an illusion of control and insight. Prasad is sceptical of management meetings. Why? Because CEOs are salespeople. They are evolutionarily selected to be charismatic and optimistic. When you meet them, you are bringing a knife to a gunfight of persuasion. You will walk away liking them, and that 'liking bias' will cloud your judgment. Instead, he looks at the history – the track record of capital allocation and governance. The past is a fact; the guidance is a wish.

Bhansali adds that standard research methodologies, such as earnings forecasting, are flawed because they rely on consensus assumptions. If everyone assumes 15 per cent growth, that expectation is already in the price. The 'research' that matters is identifying what the market is missing – the 'false negatives' where quality is obscured by temporary clouds, or 'false positives' where growth is a mirage.

Prasad is also critical of forecasting. In complex adaptive systems, like biological ecosystems or competitive markets, long-term outcomes cannot be predicted with precision. Small changes compound unpredictably. Attempting to forecast earnings five years out is less analysis than storytelling.

The paradox is stark: the more 'work' an investor does in the conventional sense, the more likely they are to overtrade, overestimate precision and commit errors.

Doing less, but better

Both authors converge on a deceptively simple conclusion: fewer decisions, made better, outperform frequent mediocre ones.

Prasad advocates what he calls 'intelligent inactivity'. Like nature, which experiments slowly and ruthlessly eliminates failure, investors should act only when the odds are overwhelmingly in their favour. This leads naturally to concentrated portfolios, long holding periods and deep familiarity with a small number of businesses. Prasad advises us to be 'very lazy'. Once you find a high-quality business (Type 1 error avoided), buy it and do nothing. Do not sell because it went up 20 per cent. Do not sell because the P/E looks a bit high. Selling a great business is often a Type 1 error in disguise – you are trading a known compounder for an unknown hope.

Bhansali similarly argues for selectivity over coverage. Non-consensus opportunities are rare. They require patience to identify and fortitude to hold. Constant portfolio churn is incompatible with independent thinking.

Both authors implicitly argue for a quieter, more sceptical research culture. That means:

- Starting from the downside (what can go structurally wrong?) before getting excited about upside scenarios.
- Focusing on a few enduring drivers of business quality rather than on short-term earnings forecasts.
- Accepting that in many cases the wisest choice is to do nothing – say 'no', pass and let the opportunity go.

This approach is uncomfortable in an industry built on visibility and action. It requires accepting periods of inactivity, underperformance and solitude. Yet, history suggests that enduring investment success has almost always come from restraint rather than brilliance.

Redefining active success

Active management does not fail because markets are unbeatable. It fails because its incentive structures reward the wrong behaviours: activity over judgment, consensus over independence, forecasting over resilience. Passive investing, while efficient and inexpensive, cannot replace active judgment indefinitely without degrading market quality. What is needed is not more activity, but better activity, rooted in error avoidance, selectivity and long-term thinking.

Bhansali reminds us that alpha lies where consensus is absent. Prasad reminds us that survival precedes success. Together, they point toward a model of investing that looks unfashionable in the short term but formidable in the long term: do less, think deeper, avoid big mistakes and allow time to work.

In investing, as in evolution, it is not the most active that endures, but the most disciplined. In 2026's uncertain landscape, these principles empower investors. Active isn't dead, it's evolving. By fixing incentives, prioritising error avoidance and embracing patience, we can achieve 'above-average returns with below-average risks'. Dive deeper; your wealth depends on it. ☑

The trouble with India's feel-good GDP numbers

Strong growth masks weak incomes and rising policy risks

By
Puja Mehra

The Reserve Bank of India (RBI) Governor Sanjay Malhotra has described the Indian economy as being in a 'Goldilocks' phase, given inflation is low and GDP growth is high. He can afford to give himself a pat on the back. In the April-December 2025 period, consumer price inflation (CPI) has averaged 1.7 per cent. The official advance estimate for real GDP growth in the financial year 2025-26 is a decent 7.4 per cent.

Just a shade under 7.5 per cent will be a remarkable feat, given the rest of the world is in tumult and although there's a quarter to go still before the financial year end. A lot can and does tend to change these days very quickly.

Global economic conditions remain unpredictable and volatile. President Donald Trump has threatened to raise tariffs on exports to the US to 500 per cent. He has also spoken of a fresh penalty of 25 per cent tariffs on exports to the US from countries that engage with Iran. If the White House imposes that, the total tariff on Indian exports to the US will go up to 75 per cent. Who knows what else the year may bring?

The second thing to bear in mind is that the GDP estimates series is fairly outdated. The rebased series is scheduled for release by the government next month. Therefore, we can't say for sure how well the 7.4 per cent advanced estimate has tracked the economy's growth.

The series was last updated more than a decade ago, leading to significant, yet controversial changes in the growth estimates. It's impossible to predict if the same will or won't happen in this round of revisions. The updates are expected to be more in the methodology used. Going by the indications from the National Statistics Office (NSO), the revised series will continue to suffer from the handicap of having to rely for estimation on surveys that are based on the fairly outdated population and economic censuses. (Some have not been updated for more than 15 years!)

But even if global economic conditions and GDP estimates remain as they are, the Goldilocks economy narrative has the potential to breed complacency.

That is because while the real GDP growth estimate is 7.4 per cent, the nominal GDP growth estimate is quite low at 8 per cent. The Union Budget presented in February 2025 had assumed nominal GDP growth of 10 per cent and was described as a conservative estimate.

The nominal and real estimates differ due to prices. The NSO estimates nominal GDP and then computes real estimates using deflators. The NSO's deflators, although acceptable by international standards, have long been debated and questioned by statisticians.

Nominal growth matters because we experience growth in nominal terms, not real terms. Salaries, incomes and profits are all nominal figures. A nominal GDP growth of 8 per cent does not 'feel' great.

That probably explains the recent proliferation of freebies, cash transfers and sweeteners, including free food and electricity, and for non-poor urban voters, income tax relief.

Politicians, unlike unelected technocrats at the Reserve Bank of India, who are focused on the legal mandate of low retail inflation and high real GDP

> Nominal growth matters since we experience growth in nominal terms, not in real terms. Thus, a nominal growth of 8 per cent doesn't feel 'great'. This may explain the recent profileration of freebies and cash transfers.

Illustration: ANAND

growth, tend to be attuned to ground realities. In elections, they cannot afford to lose touch with common people and the economic conditions as they perceive them, regardless of the GDP readings.

The nominal estimates are reflecting the weakness in rural incomes, though. Nominal growth of the sector that supports nearly half the population, agriculture, is estimated at 0.8 per cent, which is lower than the real growth estimate of 3.1 per cent.

This means that the prices of farm produce are falling, which is probably driving rural incomes down. This is not surprising, given that the market prices of several crops have fallen below the government's minimum support prices.

With economic growth not quite translating into decent incomes for large swathes of the population, handouts have become a political necessity. Handouts alleviate some of the stress and take care of the mood in the elections.

But policy must aim for more. Shrinking incomes cannot possibly support consumption beyond a point. Will investors commit to new investments in such conditions, especially given the heightened global uncertainty? Without new investments, how will new jobs and incomes get created?

Nominal growth slipping below real growth is estimated for another large provider of wage employment in the economy, the construction sector. Growth in the construction sector is estimated at 7 per cent in real terms and 6.6 per cent in nominal terms. For electricity, real growth is estimated at 2.1 per cent and nominal at 1.3 per cent. Can low growth in electricity support a supposedly booming economy?

The breakup shows that a large part of the growth is estimated to be coming from private consumption, and that is being driven not by rising incomes but by spending backstopped by government spending. Exports, investments and private investments, the other three engines of growth, are not firing.

Slow income growth means slow tax collections. The danger is that low nominal growth could take a toll on the government's tax collections, thereby restricting its spending and constraining its ability to sustain high growth unless it borrows more. Falling back on borrowings may not be a real option, given that the servicing of government debt is as it is consuming a significant proportion of tax revenues.

This column has been arguing that policy choices need to be reviewed. Policy focus has remained on lowering borrowing costs and managing economic pain through subsidies, handouts, income tax relief and GST rate cuts, but this must go to the root of the economy's problem. The pain point is that wages have grown very little or not at all over the last decade or so.

The economy is not in crisis, and macroeconomic parameters are stable. The problem of jobless growth needs special attention and carefully designed policies, though. ☑

Puja Mehra is a Delhi-based journalist and the author of 'The Lost Decade (2008-18): How the India Growth Story Devolved into Growth Without a Story'

Top-rated stocks

All stocks with five-star Stock Ratings

Tired of spending hours sifting through the vast listed universe? You need a reliable stock screener. It can help you get a list of promising stocks that deserve your attention with just a click of a button. Once you have a manageable list, you only need to research them further to find the ones worth investing in.

Value Research offers several carefully curated stock filters that can pick the most attractive companies from the listed Indian universe. In this issue, we cover the 'Top-rated stocks' screen in detail. We have also given a concise list from the other screens.

To view all the companies, visit: https://www.valueresearchonline.com/stocks-screener/

Five-star rated stocks

Successful stock picking is a rather tricky affair. There are a lot of factors to consider, and it's easy to make mistakes.

A common mistake investors make, particularly beginners, is failing to distinguish between high-quality businesses and sound investments. These concepts are not synonymous. A company with solid operational efficiency and a strong balance sheet does not automatically qualify as a wise investment choice.

Quality does not inherently imply growth potential. Similarly, a company's rapid growth does not guarantee wealth creation. If the growth is not profitable, there's no real value being added.

Is there a way to sidestep these pitfalls? **Value Research Stock Ratings** offers a solution. This tool combines multiple metrics spanning quality, growth, valuation and momentum factors.

Use our 'Top-rated stocks' screen as a starting point for your research. Pick companies that you understand and research them in detail.

A word of caution

These are not stock recommendations. Please do your due diligence before investing. If you are interested in a list of stocks to invest in, subscribe to **Value Research Stock Advisor**.

Key terms

Market cap
Stands for market capitalisation. Obtained by multiplying the stock price by the total number of shares. Shows a company's market value or size.

Price to earnings (P/E)
The ratio of the stock price and earnings per share (EPS). It shows in multiples how much investors are willing to pay for a share in a company's earnings. Note that a high-growth stock often will have a high P/E ratio, while a value stock will have a relatively lower P/E ratio.

Quality Score
It assesses the quality of a company quantitatively, capturing two crucial aspects, i.e., business efficiency and balance sheet quality. It considers various metrics, such as return on equity, return on capital employed, debt-to-equity ratio, etc. The score is based on the relative ranking of all parameters after assigning certain weights to each. Both current values and historical values drive the ratings. The score is out of 10. The higher the score, the higher the quality.

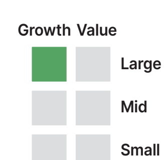
Growth Score
It evaluates a business's historical growth and scale, using metrics such as revenue growth, operating cash flow growth, Piotroski F-score, etc. The score is based on absolute ranges and is driven by current performance and historical consistency of growth. Per share data is considered for each parameter to calculate growth. The score is out of 10, and the higher the score, the higher the historical growth.

Valuation Score
It gauges if a stock is reasonably priced. This quantitative rating considers the stock's current and historical valuation parameters based on metrics such as P/E ratio, free cash flow yield, dividend yield, etc. The score is out of 10. The higher the score, the more attractively priced it is.

Momentum Score
It represents the market demand for a stock by assessing its historical price trend over six to 12 months. The score is calculated by adjusting the price movement for volatility. A higher score means the price performance has been impressive with relatively lower or digestible volatility.

Stock Rating
Value Research Stock Rating combines the three scores (quality, growth and valuation) based on assigned weights to arrive at a holistic stock rating. We have created a five-star rating system. The higher the stock rating, the better.

Stock Style
Derived from a combination of the stock's valuation – growth or value – and its market capitalisation – large, mid and small. For example, here is the stock style of a large-cap growth stock.



5-star rated stocks

Reasons to invest

- High-quality companies
- Moderate to high growth
- Reasonable valuations

The filters

- Companies with a five-star Stock Rating

No. of companies that cleared the filters

174

Company Industry	Stock Style	Stock Rating	Quality Score	Growth Score	Valuation Score	Momentum Score	P/E	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Aadhar Housing Finance Mortgage/Housing Finance		★★★★★	10	7	6	8	20.7	20,475	470	548 - 346
Adani Power Power Generation - Div.		★★★★★	8	7	5	8	22.5	2,71,239	140	183 - 92
ADC India IT Serv. & Consulting		★★★★★	10	7	4	8	34.8	628	1,372	2,090 - 901
Aditya Birla Sun Life AMC AMC		★★★★★	10	6	5	7	23.5	22,803	780	908 - 556
Ahluwalia Contracts (Ind) Const. & Engg. - Div.		★★★★★	7	8	6	8	22.7	5,954	880	1,125 - 620
AIA Engineering Industrial Machinery		★★★★★	8	6	5	9	31.7	35,682	3,772	4,169 - 3,001
Alldigi Tech BPO Serv.		★★★★★	10	7	7	5	16.6	1,190	781	1,104 - 770
All E Technologies IT Serv. & Consulting		★★★★★	10	7	8	1	12.8	397	203	505 - 190
Alufluoride Commodity Chem. - Div.		★★★★★	8	6	7	7	17.4	324	407	503 - 376
Amal Div. Chem.		★★★★★	9	7	4	8	22.6	616	498	1,148 - 472
APL Apollo Tubes Steel Tubes & Pipes		★★★★★	9	7	4	9	51.7	54,190	1,948	1,994 - 1,273
Aptus Value Housing Mortgage/Housing Finance		★★★★★	10	6	7	7	15.6	13,137	263	364 - 257
Arman Financial Services NBFC - Div.		★★★★★	9	5	7	9	-	1,662	1,624	1,835 - 1,110
Arrow Greentech Plastic Packaging		★★★★★	8	8	7	4	13.3	678	439	818 - 428
Aryaman Financial Serv Financial Serv. - Div.		★★★★★	10	8	4	10	19.5	793	656	1,100 - 426

STOCK SCREEN

Company Industry	Stock Style	Stock Rating	Quality Score	Growth Score	Valuation Score	Momentum Score	P/E	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
AU Small Finance Bank Small Finance Banks		★★★★★	9	8	5	10	32.6	75,510	990	1,030 - 478
Avanti Feeds Aquaculture		★★★★★	9	7	6	9	17.6	10,886	790	964 - 602
Axis Bank Banks - Div.		★★★★★	7	7	6	8	15.5	4,02,502	1,284	1,327 - 934
Axtel Industries Industrial Machinery		★★★★★	9	7	5	7	35.5	711	438	550 - 371
Bajaj Consumer Care Household Products - Div.		★★★★★	10	5	5	10	22.4	3,529	297	310 - 151
Bajaj Finance Consumer Financing		★★★★★	10	9	6	7	32.1	5,87,029	937	1,103 - 726
Balmer Lawrie Inv. Investment Holding		★★★★★	7	5	8	7	9.0	1,550	70	96 - 60
Balu Forge Industries Castings & Forgings		★★★★★	8	8	6	5	19.4	4,720	399	784 - 394
Bank Of Baroda Banks - Div.		★★★★★	7	7	7	9	8.3	1,59,019	304	313 - 191
Bank Of India Banks - Div.		★★★★★	5	7	7	10	7.7	76,030	164	168 - 93
Benares Hotels Hotels & Resorts		★★★★★	10	7	5	9	28.3	1,243	9,540	12,500 - 9,000
Bharat Petroleum Corp. Oil & Gas - Div.		★★★★★	6	6	8	8	7.3	1,54,603	356	388 - 234
BLS E-Services Online Serv.		★★★★★	9	9	6	8	27.4	1,545	168	233 - 131
Bombay Burmah Trading Tea & Coffee		★★★★★	9	7	7	7	11.0	12,378	1,760	2,345 - 1,607
Can Fin Homes Mortgage/Housing Finance		★★★★★	10	9	7	10	12.5	12,167	909	972 - 559
Cantabil Retail India Readymade Garment		★★★★★	10	6	5	8	29.9	2,343	277	334 - 213
Capital Small Finance Small Finance Banks		★★★★★	9	6	7	6	8.6	1,168	253	331 - 250
Chambal Fertilisers Fertilisers		★★★★★	9	6	8	3	9.2	17,128	422	742 - 410

Data as of January 22, 2026

For the full list, scan the QR code.

Want more? Here you go

Other screens available on the Value Research website, along with their themes and some of their stocks

Value meets momentum

A screen that shows value stocks that are on the radar

	P/E		P/E
BPCL	7.3	Gulf Oil	14.8
The Great Eastern Shipping	7.8	Sarda Energy & Minerals	15.5
NMDC	10.0	Surya Roshni	16.5
Kama Holdings	10.4	Jayaswal Neco Industries	19.6
Chennai Petroleum	10.9	Godawari Power	22.8

High momentum large caps

Gives a list of large caps that are in the vogue right now

Cummins India	48.3	TVS Motor	66.3
Hero MotoCorp	21.4	Eicher Motors	39.3
Tata Consumer	85.5	Hindalco Industries	12.0
Torrent Pharma	63.8	Tata Steel	34.8
BPCL	7.3	Asian Paints	67.0

High momentum mid caps

Gives a list of mid caps that are in vogue right now

NMDC	10.0	APL Apollo Tubes	51.7
NALCO	11.0	The Phoenix Mills	59.0
Jindal Stainless	21.7	Fortis Healthcare	64.0
Alkem Laboratories	28.9	3M India	69.5
MRF	32.5	Radico Khaitan	84.1

High momentum small caps

Gives a list of small caps that are in vogue right now

SRM Contractors	14.6	Shree Digvijay Cement	30.9
Steelcast	21.3	Frontier Springs	38.0
Royal Orchid Hotels	22.2	KMC Speciality Hospitals	43.6
One Global Service Provider	23.1	Sika Interplant Systems	50.9
Benares Hotels	28.3	ABC Gas	946.1

High dividend yield

Stocks that currently have a high dividend yield

	Div. yield(%)		Div. yield(%)
Ambika Cotton Mills	3.2	Power Finance Corp	4.3
Kuantum Papers	3.4	GAIL (India)	4.6
Gateway Distriparks	3.5	DCM Shriram Inds.	4.7
KSE	3.6	REC	5.0
Petronet LNG	3.6	PTC India	7.4

For all the screens and to customise them as per your requirements, visit

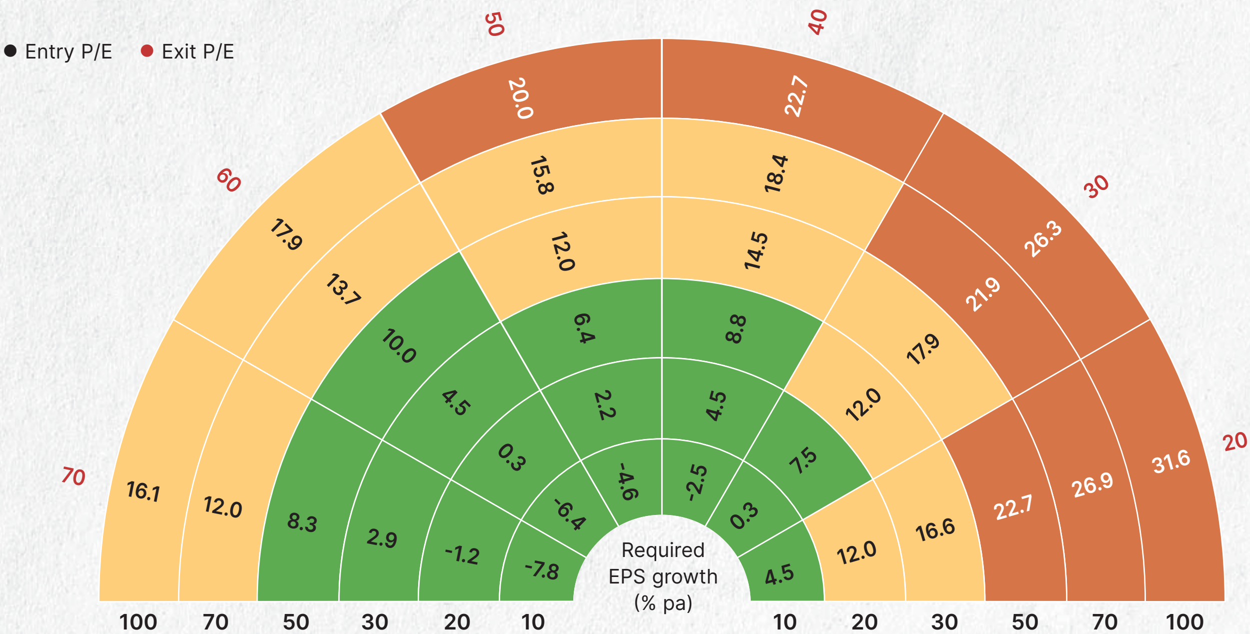
- Stock Rating
- Value Guru screens
- Easy peer comparison

www.valueresearchonline.com/stocks-screener/

Power of pricing

The quiet role of valuation in long-term investing

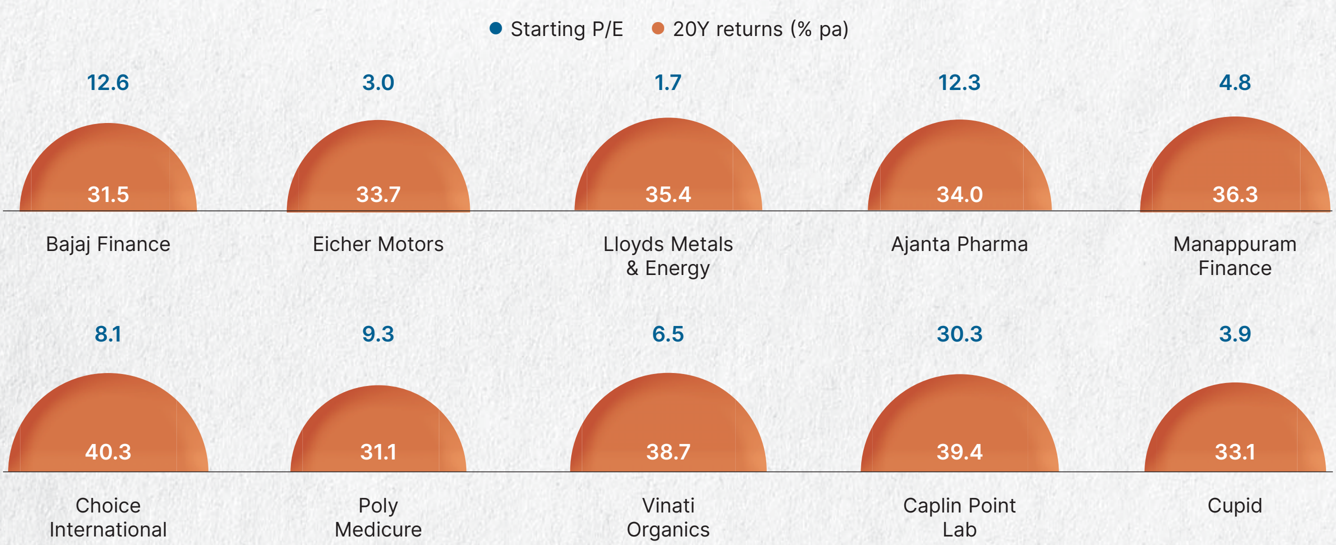
Valuation sets the bar for growth



Assuming a time period of 10 years and required returns of 12 per cent annually

The burden of growth rises with valuation

And why most multibaggers start without that burden



Data as of January 19, 2026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GALAXY
sawasdee®
LUXURY
Elevated to New Heights
3BHK & 3BHK+STUDY RESIDENCES
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