Value Research

Wealth Insight

March 2026 ₹150

The Smart Investor's Stock Guide

CRASH PROOF STOCKS

The formula that protects your portfolio in downturns

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As others feared AI, we found an opportunity

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Cantabil's careful ascent to growth

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Despite a strong FY26, momentum remains muted

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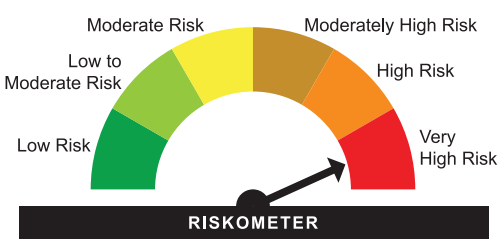
Riskometer#



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March 2026 **Wealth Insight** Volume XIX, Number 9

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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Co-Head of Equities, DSP Mutual Fund

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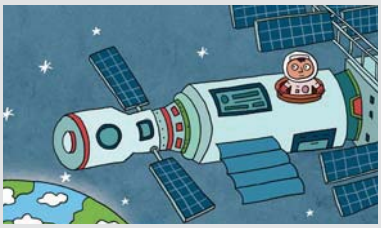

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NFO open date:	NFO close date:	Scheme reopens for continuous sale and repurchase on:
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NFO: New Fund Offer

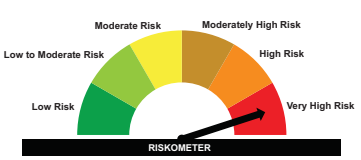
Product Labelling	Scheme Riskometer #	Benchmark Riskometer (as applicable)#

This product is suitable for investors who are seeking*:

- Capital appreciation over long term
- Investment in equity and equity related instruments of technology and technology related companies.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

#The above product labelling assigned during the New Fund Offer (NFO) is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made. The Riskometer of the Benchmark as on 31st January 2026.



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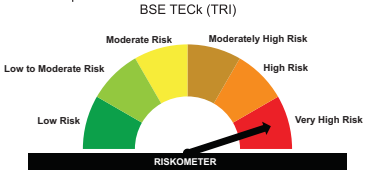

The risk of the benchmark is Very High

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By Dhirendra Kumar

Most misunderstood market signal

Why dividends are more powerful than they appear

Ask any Indian retail investor what dividends are for, and you'll get a fairly predictable answer: they're for retirees, for conservative investors and for people who've given up on growth.

In a market where small caps can double in a year and IPO listings can deliver 50 per cent on day one, a 2 or 3 per cent dividend yield feels almost quaint. I've had this conversation dozens of times over the years, and the dismissal is always the same: Why would I care about dividends when I'm trying to build wealth?

This is one of the great misunderstandings in Indian investing. It confuses what dividends give you with what dividends tell you.

Think about what it actually means for a company to pay a consistent, growing dividend over many years. It means the business generates real cash, not just accounting profits and that management is disciplined enough to share that cash rather than hoarding it for empire-building or squandering it on an endless capex of questionable value. It means the company operates in a stable enough environment or commands a strong enough position to commit to regular payouts without worrying about liquidity crises. Therefore, a consistent dividend record is an efficient filter for business quality. Investors obsess over obscure ratios to figure out whether a company is genuinely healthy, while a sustained history of growing dividends can tell you far more.

As someone who has always believed in real profits over future ones, I find this quite convincing. Dividends are, by definition, the most tangible evidence that a company's earnings are real. You can massage reported profits, you can present adjusted EBITDA ('bullshit earnings' in Charlie Munger's immortal definition) in creative ways, but you cannot pay out cash for long if you don't have it. We live in a time where stories and narratives often run far ahead of fundamentals. This kind of reality check has value that goes beyond the rupees deposited in investors' accounts.

But here's the part that I think matters even more: it's not about returns at all, but what happens in an investor's head during a crash.

We've all been through market downturns, some of us through several. And the worst damage a crash inflicts isn't always financial but psychological. When a portfolio drops 40 or 50 per cent, something breaks in the investor's relationship with equity markets. There's panic, regret, sleepless nights and these leave scars that persist long after prices recover. They make investors sell at the worst possible time and sometimes make people abandon equity altogether, retreating to fixed deposits and gold right when the market is offering its best opportunities. Temporary pain turns into permanent wealth destruction.

A portfolio that falls less doesn't just preserve capital. It preserves the investor's willingness to stay invested. And in the long run, that willingness or that ability to sit through turbulence without doing something stupid may be the single most important determinant of investment outcomes. The best strategy in the world is worthless if you can't stick with it, and you can't stick with a strategy that terrifies you every few years.

This is why the relationship between dividends and crash-resistance matters so much. It's not just a return optimisation exercise. It's about building a portfolio you can actually live with through complete market cycles. The investors who build lasting wealth are the ones who stay in the game.

Our cover story this month examines this connection in detail. It examines how dividends serve as a signal of corporate health, why certain types of dividend-paying companies have historically cushioned portfolios during downturns and identifies specific businesses where these qualities converge. It's a practical framework for thinking about portfolio resilience, and it arrives at a time when the memory of the recent correction is still fresh enough to be useful.

For those willing to rethink what dividends actually mean, there's a genuinely powerful investing idea hiding behind that boring 1-2 per cent yield.

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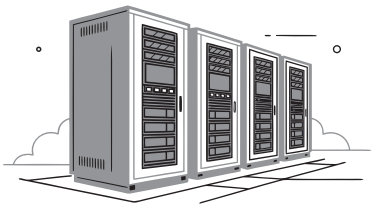


Blackstone set to invest ₹10,000 crore in Chennai data centre campus

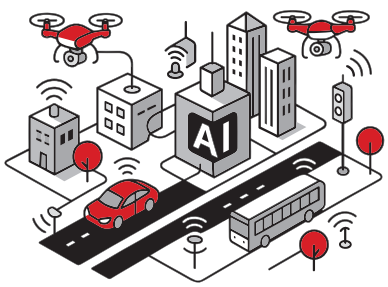
Blackstone will invest ₹10,000 crore to develop a hyperscale data centre campus in Chennai, starting with 216 MW of capacity. The project expands Blackstone's digital infrastructure presence in India amid surging demand for cloud storage and AI workloads. The investment underlines sustained global capital interest in India's fast-growing digital economy.

Government sharply hikes STT on derivatives trading

Securities Transaction Tax was hiked by 150 per cent to 0.05 per cent on futures trading and by 50 per cent to 0.15 per cent on options in Budget 2026. This raises trading costs in India's high-volume F&O segment. While aimed at curbing excessive speculation, higher levies could moderate retail participation and trading volumes.

India and EU finalise landmark free trade agreement

India and the European Union finalised a long-pending free trade agreement after nearly two decades of negotiations in late January. The EU is India's largest trading partner, and the pact is expected to ease market access and reduce trade barriers. At a time of rising geopolitical fragmentation, the agreement could diversify export markets for Indian manufacturers and support sectors such as pharmaceuticals, engineering goods and automobiles.

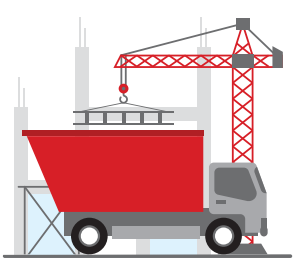


Tata Group to invest $11 billion in Maharashtra AI Innovation City

Tata Group plans to invest about $11 billion to develop an AI-focused Innovation City near Mumbai. The project aims to create a large technology and data infrastructure hub, strengthening India's capabilities in AI, cloud computing and advanced analytics. The scale of investment signals confidence in digital infrastructure demand and could spur ancillary growth across data centres, chip design, enterprise software and skilled employment.

US trade deal cuts tariffs on Indian goods to 18 per cent

US President Donald Trump and Prime Minister Narendra Modi announced a trade deal easing tariff tensions between the two countries. Under the agreement, US tariffs on Indian goods will be reduced to 18 per cent from the earlier announced 25 per cent, removing penalties linked to India's Russian oil purchases. The pact signals stabilising bilateral ties and could improve visibility for Indian exporters reliant on access to the US market.



Infra capex raised by 11 per cent to ₹12.2 trillion for FY27

The government in the Union Budget 2026 increased the infrastructure capex outlay by 11.4 per cent to a record ₹12.2 trillion for FY27. The higher capital outlay reinforces the government's strategy of driving growth through public investment in roads, railways, logistics and urban development. A sustained infrastructure push is expected to attract private-sector investment and support job creation, even as global economic conditions remain uncertain.

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RBI keeps repo rate unchanged at 5.25 per cent

The Reserve Bank of India (RBI) kept the repo rate unchanged at 5.25 per cent in its February meeting, with the Monetary Policy Committee maintaining a neutral stance. The RBI raised its CPI (consumer price inflation) outlook for Q1 and Q2 of FY27 to 4 per cent and 4.2 per cent, respectively, citing higher precious metal prices. GDP growth projections were revised to 6.9 per cent and 7 per cent, reflecting resilient domestic demand.

Natco Pharma to launch weight-loss Semaglutide injection

Natco Pharma will launch a generic Semaglutide injection in India next month, following approval from the drug regulator CDSCO. The product places Natco among Indian drugmakers entering the fast-growing GLP-1 diabetes and weight management market. With the rising incidence of lifestyle diseases and strong global demand for such therapies, early domestic entry could create a meaningful revenue opportunity.

Marico buys 93 per cent of 4700BC for ₹227 crore

FMCG major Marico will buy a 93.3 per cent stake in Zea Maize, owner of snacking brand 4700BC from PVR INOX for ₹227 crore in an all-cash deal. The brand, known for popcorn, popped chips and makhana, has expanded beyond cinemas into modern retail and e-commerce. The acquisition strengthens Marico's foods portfolio as it targets premiumisation and higher-growth packaged snacking.

PFC buys a 53 per cent stake in REC ahead of merger

As part of the proposed merger, Power Finance Corporation (PFC) has acquired a 52.6 per cent of the government's stake in REC, making the power finance company its subsidiary. The consolidation aligns with Union Budget 2026's emphasis on strengthening NBFCs to improve credit delivery and operational efficiency. The merger once through will create India's largest state-run company in power sector financing.

Adani Power forms nuclear arm as government opens nuclear power sector

Adani Power has incorporated its subsidiary Adani Atomic Energy, marking its formal entry into India's nuclear power segment. This follows policy measures to promote nuclear energy as part of India's clean energy transition and allow greater private participation. Nuclear power is being positioned as a complement to renewables. For Adani, diversification broadens its conventional and renewable generation mix.

HAL secures a ₹2,312 crore order for Dornier aircraft

Hindustan Aeronautics has won a ₹2,312 crore contract to supply eight Dornier 228 aircraft with operational equipment to the Indian Coast Guard, strengthening its defence pipeline and indigenous aerospace production. Ongoing defence procurement enhances revenue visibility as India accelerates military modernisation and self-reliance.

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IT majors post mixed Q3 performance amid AI uncertainty

Company	Q3 YoY revenue growth (%)	Q3 YoY profit growth (%)
TCS	4.9	6.8
Infosys	8.9	11.4
HCL Tech	13.3	4.2
Wipro	5.5	-7.0

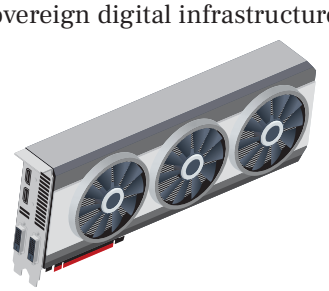
India's leading IT companies reported a mixed Q3 FY26, reflecting a cautious global spending environment. Part of the revenue momentum was aided by rupee depreciation, which boosted dollar earnings. However, underlying demand remains uneven as global clients curb discretionary spending even while increasing investments in automation and generative AI. This shift is pressuring traditional outsourcing models, prompting Indian IT majors to reposition offerings and protect margins.

Torrent Power to acquire L&T's 1,400 MW Nabha plant for $760 million

Torrent Power will acquire L&T's 1,400 MW Nabha Power plant for about $760 million, increasing its overall generation capacity to 6.4 GW. The acquisition strengthens Torrent's thermal portfolio amid rising electricity demand. For L&T, the divestment aligns with its capital recycling strategy. The deal reflects ongoing consolidation in conventional power assets.

L&T partners Nvidia for gigawatt-scale AI factory

Larsen & Toubro has partnered with Nvidia to build India's largest gigawatt-scale AI factory under the India AI Mission. The collaboration combines L&T's infrastructure capabilities with Nvidia's GPUs, CPUs, networking and AI software stack. The project aims to scale domestic AI computing capacity and support enterprise and research adoption, reinforcing India's ambition to build sovereign digital infrastructure.

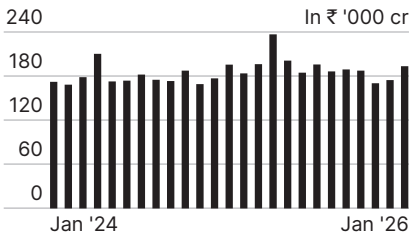


Waaree Energies to invest over ₹8,000 crore in lithium-ion battery

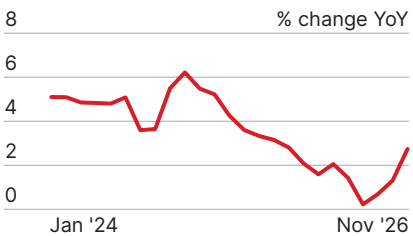
Waaree Energies will set up an integrated lithium-ion battery gigafactory in Andhra Pradesh with an investment of over ₹8,000 crore, aimed at enhancing India's domestic energy storage manufacturing base. The project is expected to create around 3,000 direct jobs and support localisation of battery cell production at scale.

ECONOMIC METRICS

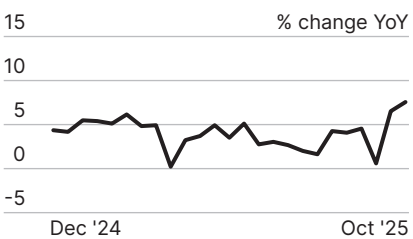
GST collection



Inflation: Consumer Price



Index of Industrial Production



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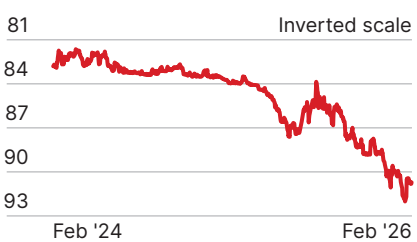
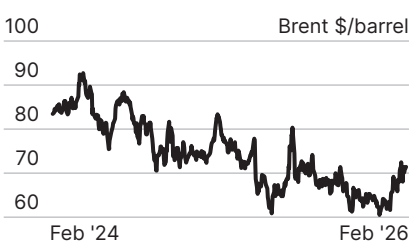


Crude oil



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MIRAE ASSET
Mutual Fund

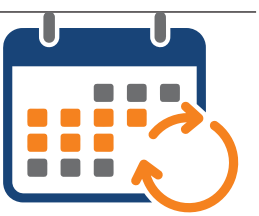
Passive funds for every goal

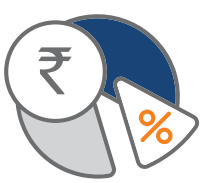
Most investors have more than one financial goal. Some are long-term, like retirement or a child's education. Others are shorter-term, like building a buffer or saving for a planned expense. The challenge is finding an approach that feels **simple** without becoming complicated.

Passive funds may help as part of this framework. Instead of trying to pick individual stocks or track markets closely, investors may use passive funds to access broad indices in a structured manner. This offers a straightforward way to participate in market-linked opportunities, subject to tracking error.

Different goals often require different **asset mixes**. Equity passive funds may be considered for longer horizons where growth is the priority. Debt passive funds may suit goals where stability matters more. Commodity passive funds may also be explored as a diversifier, depending on your needs and risk appetite.

The strength of passive investing lies in **discipline**. Investors may use SIP (Systematic Investment Plan) to invest regularly, avoid overreacting to short-term noise, and stay focused on their goals. This approach is often more about consistency than frequent decision-making.





Passive funds also typically come with a **lower cost** structure. Since they do not rely on active stock selection, expense ratios are often lower than those of actively managed funds. Over long periods, this may help more of your money remain invested.

Not every goal needs the same strategy. But for many investors, passive funds may offer a useful way to build a clear, **diversified portfolio** without unnecessary complexity.

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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								
Ashok Leyland	Automobiles	★★★	41.6	37.0	13.6	29.6	74.0	26.9
Vedanta	Metal - Non Ferrous	★★★★	32.8	18.7	12.3	28.0	-2.4	21.4
Shriram Finance	Finance - NBFC	★★★★	31.3	3.2*	18.0	15.1	10.5	17.2
Bharat Forge	Forgings	★★★	26.8	75.0	4.5	22.6	20.5	15.1
Union Bank Of India	Bank - Public	★★★★	26.0	1.2*	2.0	13.7	32.7	15.7
State Bank Of India	Bank - Public	★★★★★	25.4	2.0*	6.2	2.5	20.2	18.5
GE Vernova T&D	Electric Equipment	★★★	24.4	89.4	41.2	128.7	400.2	18.6
Hindustan Zinc	Metal - Non Ferrous	★★★★★	23.0	21.0	11.8	24.8	2.5	57.3
Samvardhana Motherson	Auto Ancillary	★★	23.0	41.4	8.7	-18.8	50.6	3.3
Tata Steel	Steel & Iron	★★★★	21.2	28.5	1.8	206.8	-18.9	10.4
Bottom 10 by returns								
ITC	Cigarettes	★★★★	-18.1	11.9	8.4	-69.5	23.9	29.0
Bajaj Housing	Finance - Housing	★★★	-16.7	3.4*	18.8	27.0	21.4	14.4
PB Fintech	Fintech	★★	-16.6	135.5	36.9	168.8	41.1	-0.1
Siemens Energy	Electric Equipment	Unrated	-16.5	84.2	31.0	46.4	-	-
Asian Paints	Paints	★★★	-16.3	60.7	1.2	-6.6	1.1	26.4
Swiggy	E-commerce	★	-15.2	-	52.1	72.8	25.9	-85.1
Mazagon Dock	Ship Building	★★★★	-14.7	40.0	8.5	-13.7	36.2	34.3
DLF	Construction	★★	-14.4	35.9	35.8	-1.3	33.3	6.0
JIO Financial Services	Finance - NBFC	★★	-13.7	1.2*	51.8	6.0	-	1.5
Interglobe Aviation	Airlines	★★★	-13.2	59.9	10.7	-29.5	45.8	43.7

*Price-to-book ratio. Our large-cap universe has 147 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 February 18, 2026.

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Mid caps

Top 10 by returns

	Industry	Stock Rating	3M returns (%)	P/E	TTM rev. growth (% YoY)	TTM PAT growth (% YoY)	3Y EPS growth (% pa)	3Y avg ROE (%)
Avanti Feeds	Animal Feed	★★★★★	77.6	29.3	8.7	31.8	32.9	17.6
Hindustan Copper	Metal - Non Ferrous	★★★★	72.2	83.2	39.3	65.4	37.9	15.8
Prime Focus	Business Support	★★	65.6	-	22.3	-173.6	-12.4	3.4
Sansera Engineering	Auto Ancillary	★★★★	46.6	53.7	10.1	36.7	14.4	13.0
Force Motors	Automobiles	★★★★	44.6	24.3	14.7	85.9	198.3	18.8
National Aluminium	Aluminium Products	★★★★★	33.6	10.3	19.9	55.8	46.2	19.8
Karur Vysya Bank	Bank - Private	★★★★	28.8	2.3*	14.3	22.0	32.5	16.2
Canara HSBC Life	Insurance	Unrated	27.7	9.1*	-	-	125.2	7.7
APL Apollo Tubes	Steel Products	★★★★★	27.1	54.5	8.8	80.0	20.7	21.7
Acutaas Chemicals	Pharmaceuticals	★★★★	25.1	61.1	31.6	130.4	43.2	12.7

Bottom 10 by returns

Physicswallah	Educational Institutions	★★★	-34.0	-	-	-	0.0	-
Syngene International	Business Support	★★★	-32.6	49.6	5.1	-16.2	-6.8	12.2
Kaynes Technology	Electronics	★★	-31.2	70.0	41.8	51.0	57.8	10.7
Poly Medicure	Medical Equipment	★★★	-31.1	38.2	10.9	10.9	28.1	16.7
Inox Wind	Electric Equipment	★	-29.8	33.7	57.5	83.5	33.7	-5.2
Five-Star Business	Finance - NBFC	★★★★	-29.7	1.8*	16.3	7.7	25.7	17.2
HBL Engineering	Batteries	★★★	-29.0	25.5	51.0	179.1	101.5	18.3
KPIT Technologies	IT - Software	★★★★	-27.9	32.9	11.4	0.8	27.0	30.9
Firstsource Solutions	BPO/ITeS	★★★	-27.5	29.2	22.0	24.5	7.7	14.2
Deepak Fertilisers	Chemicals	★★★	-27.0	14.9	15.2	-2.2	-11.6	10.9

*Price-to-book ratio. Our mid-cap universe has 321 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 February 18, 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								
Mrugesh Trading	Finance - Investment	Unrated	229.7	5.7*	1.1	-119.7	-290.2	21.3
Eraaya Lifespaces	Auto Ancillary	Unrated	78.9	-	633.4	-23,845.8	-484.2	-3.9
SML Mahindra	Automobiles	★★	77.9	46.7	17.5	30.9	119.8	31.6
B-Right Real Estate	Construction	Unrated	70.0	431.7	-	-	0.5	1.3
Nurture Well	Consumer Food	★★★★	68.2	12.2	60.5	89.8	-26.1	-
NGL Fine-Chem	Pharmaceuticals	★★★	66.5	40.8	19.8	7.5	23.7	10.6
One Global Service	Textile	★★★★	65.2	24.0	362.9	440.2	135.3	43.1
Modern Insulators	Electronics	★★★	60.3	20.0	40.1	54.2	43.8	8.4
Sharda Cropchem	Agrochemicals	★★★★	57.2	19.4	32.3	131.6	20.9	12.1
Apis India	Agriculture	Unrated	55.2	43.4	12.8	50.3	15.6	14.7
Bottom 10 by returns								
Magellanic Cloud	IT - Software	★★★	-58.3	14.7	12.2	-9.9	21.1	8.8
Kothari Industrial	Fertilizers	★	-57.7	-	160.0	-168.7	19.3	-7.4
Indiabulls	E-commerce	Unrated	-54.0	87.2	50.6	-448.0	-174.6	-
SpiceJet	Airlines	Unrated	-53.9	0.0	-14.5	398.0	22.5	-
Systematix Corporate	Finance - Investment	★★★	-47.1	3.4*	-3.1	-55.6	47.7	22.7
Oswal Pumps	Compressors	★★★	-45.6	11.7	48.1	41.3	155.0	72.8
Blue Pearl	Trading	Unrated	-45.4	5,884.3	106.3	-47.8	26.8	0.7
Cohance Lifesciences	Pharmaceuticals	★★	-45.2	61.9	1.5	-54.9	-26.9	18.4
Websol Energy	Electronics	★★	-44.0	12.4	92.1	348.4	136.8	-3.2
A-1	Trading	★	-43.8	497.9	8.3	-32.9	-32.7	5.8

*Price-to-book ratio. Our small-cap universe (minimum market capitalisation of ₹730 crore) has 1,178 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 February 18, 2026.

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Sanctions
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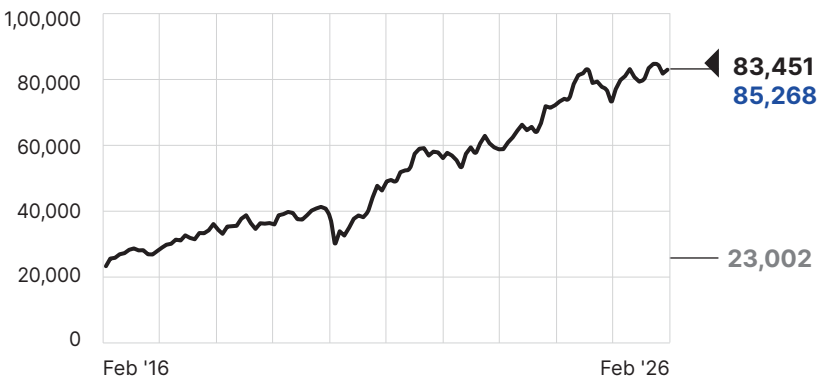
Trends and trails

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

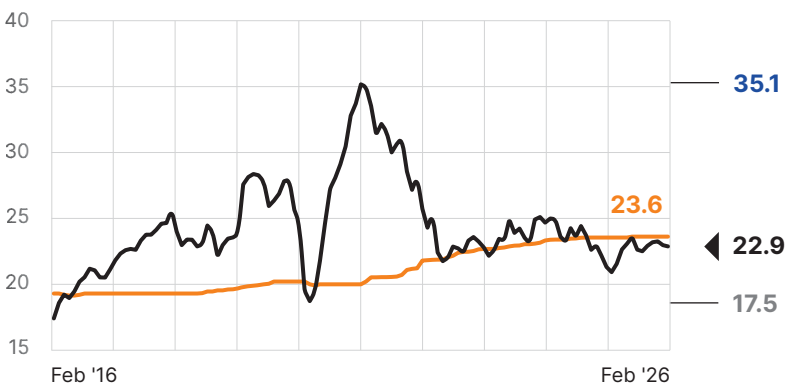
● Max ◀ Current ● Median ● Min

Sensex's 10-year journey

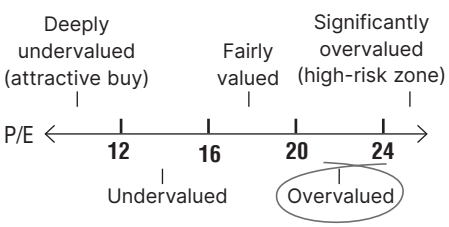


- The Sensex is a reliable gauge of the Indian market's overall performance.
- The 10-year graph shows a secular market rally, interrupted by several bearish phases.
- Key setbacks include Chinese growth concerns (2015), demonetisation (2016), US-China trade tensions (2018) and the Covid-19 crash (March 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

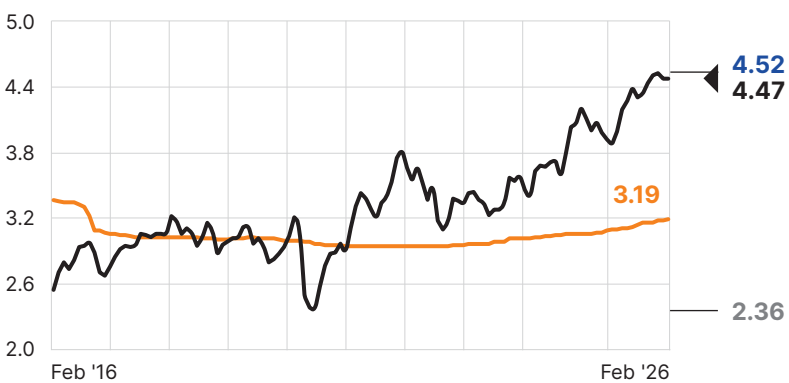


The **price-to-earnings (P/E)** ratio of the Sensex is a straightforward indicator of market valuation. Below is a general valuation guide:



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

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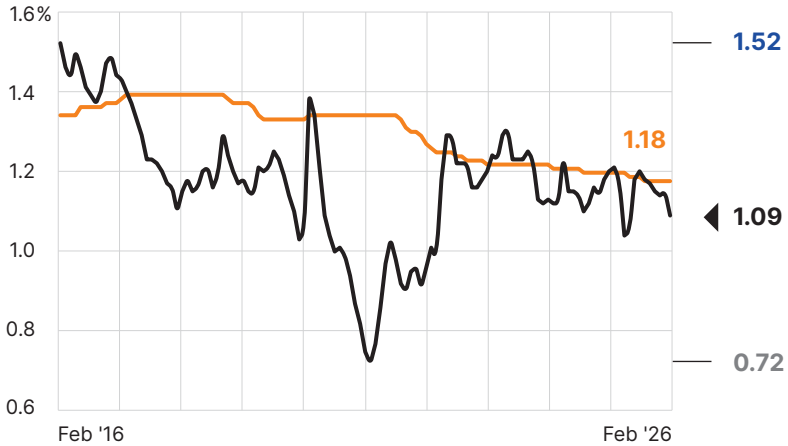
Sensex's dividend yield

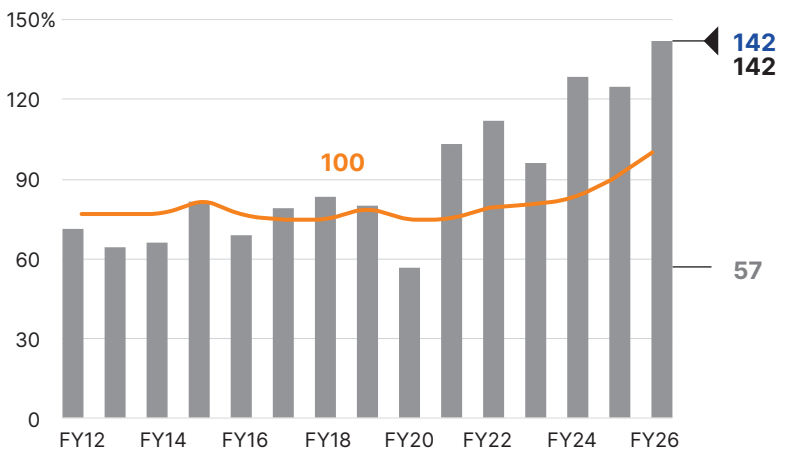


Dividend yield represents the return an investor earns through dividends. It is calculated as the dividend per share, divided by the price per share. Typically, higher dividend yields indicate cheaper stock prices.

If:
Dividend yield < Median dividend yield = Overvalued

Dividend yield > Median dividend yield = Undervalued

Market cap-to-GDP

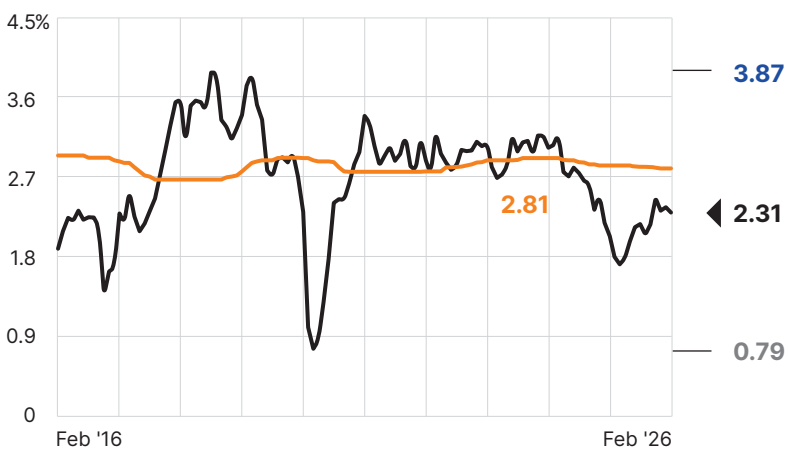


The **market cap-to-GDP ratio** is Warren Buffett's favourite valuation metric, calling it 'the best measure of market valuations at any given moment'.

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 February 17, 2026

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VIS-A-VIS

Cement giants lock horns

Where the industry's heavyweights stand as capacity race intensifies

JK Cement

JK Cement is among India's top five cement makers, with 28 MTPA of grey cement capacity and 3 MTPA in white cement and wall putty. Its plants across Rajasthan, Karnataka, MP, UP and Gujarat, along with recent expansions, have strengthened its presence in central and eastern India. While grey cement drives most revenue, white cement and value-added products support margins and brand premiumisation.

Dalmia Bharat

Dalmia Bharat is India's fourth-largest cement producer, with 49 MTPA of capacity and over 27 MT of clinker capacity. Concentrated in the south, east and north-east, where demand growth has been stronger, Dalmia Bharat runs 15 plants serving 23 states. Grey cement drives most of the revenue, supported by a sizeable trade mix. The company targets 75 MTPA capacity by FY28 through an aggressive medium-term expansion plan.

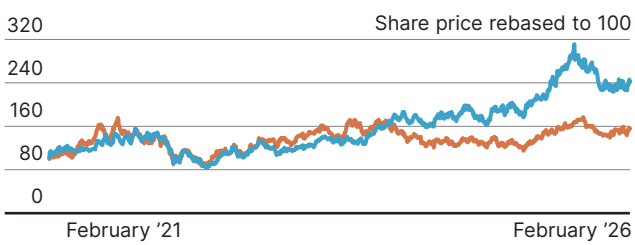
Industry overview

Cement demand is expected to remain healthy, supported by infrastructure-led government capex (₹11.2 lakh crore in FY26), housing momentum and road spending. Demand is projected to grow 7-7.5 per cent in FY26-27, aided by urbanisation and PMAY implementation. Supply will also rise, with capacity additions implying 7-8 per cent annual growth over the next two years. Consolidation is intensifying, with the top four players controlling about 58 per cent of capacity. Pricing and margins will stay sensitive to fuel costs, freight rates and regional demand-supply trends.

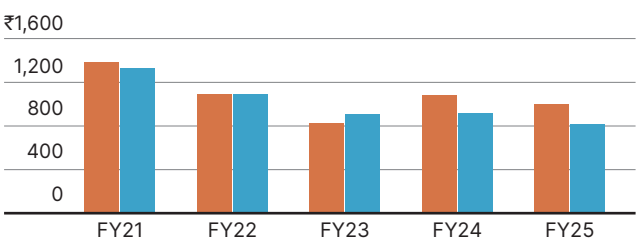
Financials (₹ cr)

	Revenue	Operating profit	Net profit	Net worth	Total debt	Cash from operations	Market cap
JK Cement	13,416	1,824	1,018	6,481	4,765	2,146	45,202
Dalmia Bharat	14,650	1,676	1,201	17,679	5,665	2,642	40,770

Price chart

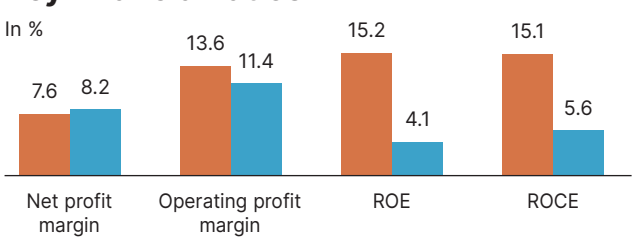


EBITDA per tonne

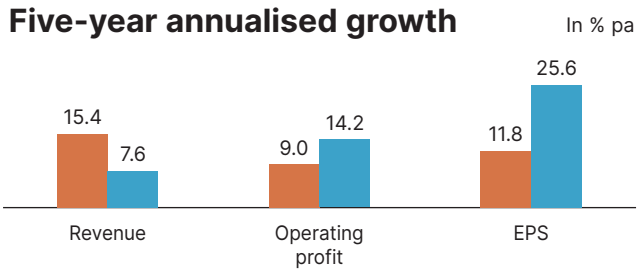


	JK Cement	Dalmia Bharat
Price-to-earnings	44.3	34.4
Price-to-book	6.8	2.3
Dividend yield (%)	0.3	0.4
Debt-to-equity	0.74	0.32

Key financial ratios



Five-year annualised growth



Price data as of February 11, 2026. Financials on TTM basis.

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When others saw fear in AI, we saw value

The difference was not courage. It was preparation; the kind that comes from having someone do the work before the headlines arrive.

You probably know what happened to Indian IT stocks in February. An AI demonstration spooked the market. The Indian IT index has fallen 21 per cent year to date, with the verdict being announced loudly: Indian IT model is finished. Sell now. Ask questions later.

Opinions are easy. Research is work. And the work told a different story.

One company in this brutal sell-off caught our attention: it has earned over 15 per cent return on capital year after year without ever relying on debt. What about AI's impact? It has started adapting and even generating revenue. Its not a victim but rather a user of AI.

That research was ready. We could see the numbers behind the noise.

This is what **Stock Advisor** is. Not a tip sheet or a breathless alert service. This is not someone shouting "BUY!" even before you had a sip of your morning coffee. It is a disciplined research desk that does the work most investors cannot do alone, not because they lack intelligence, but because they lack time.

We have studied Indian companies since 1990, through liberalisation, the dot-com collapse, 2008, demonetisation and Covid. We have not always been right. No one is. But we have always shown the work. A headline is not a substitute for a balance sheet.

Our March recommendation, born in the AI panic, is timely. We believe it offers genuine value at current prices and will discuss it live on March 14.

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March 14, 2026 at 12:30 pm, we reveal the name

STOCK ADVISOR LIVE

First session | valueresearchstocks.com

PS: On a fine morning in February, when the market was selling everything remotely IT in panic, we hunkered down to research and found this new recommendation.

We present the investment case live. The thesis, the math, the valuation. Your questions will be answered. Subscribe to **Value Research Stock Advisor** to attend.

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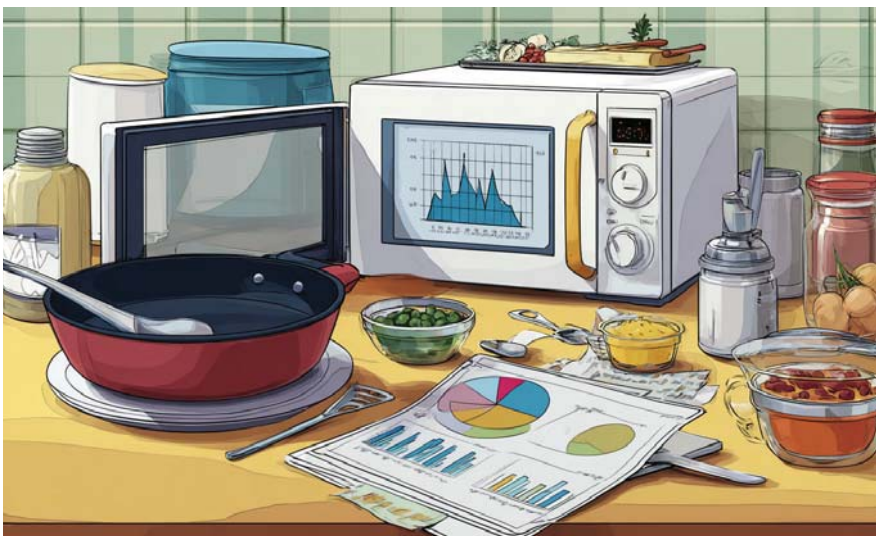
Growth without moat

While scale has come easy to Stove Kraft, it has yet to translate into resilience and competitive advantage

If brand recall were the only market test, Stove Kraft would pass easily. Its flagship brand 'Pigeon' is a familiar name in Indian kitchens, selling everything from pressure cookers to induction cooktops. This kind of everyday presence usually signals a steady consumer business. Yet, in Stove Kraft's case, its familiarity has not translated into dominance, while the scale has not delivered resilience. This contradiction drew our attention.



Sakshi/AI-generated image

A wide portfolio but no home ground

Stove Kraft is a growing business at first blush. Revenues have grown around 14 per cent per annum over the last four years. But profitability and return ratios have moved opposite. The reasons include a wide presence sans leadership and price-sensitivity.

Stove Kraft operates across five major product categories, with an expanding list of small appliances, which have become the fastest-growing part of the business. Their revenue contribution has risen from roughly 30 per cent in FY22 to about 43 per cent by FY25, sustaining topline growth as core categories such as pressure cookers and gas stoves lag under intense competition.

Stove Kraft does not dominate any of its key categories and is behind Hawkins and Prestige in cookware, Philips and Havells in electrical appliances, and Bajaj and Milton in kitchen products. There is also a growing swarm of digital-first brands, many of which are nimble, marketing-savvy and aggressively priced.

The Pigeon brand is positioned firmly in the value segment. Its products are priced meaningfully lower than premium peers. A three-litre pressure cooker that sells for around ₹1,400 under Pigeon can cost nearly double under Hawkins. Similar gaps exist across mixer grinders, induction cooktops, gas stoves and air fryers. And while this has helped gain volumes, there are trade-offs.

Competing mainly on price leaves little room for error. Margins remain sensitive to discounts, competition and input costs. More importantly, it limits brand stickiness. Customers who buy on price rarely stay loyal when alternatives are readily available.

A market that does not rush

Add to this a slow-growing market. The kitchen appliances market in India offers limited tailwinds. Valued at roughly ₹1.3 lakh crore in 2024, it is expected to grow at a modest pace of around 6-7 per cent annually by 2030. This is not a high-churn market. Appliances last long, replacement cycles are slow and purchases are driven more by necessity than desire.

Where growth does exist is in premium products. Industry data suggests higher-priced segments

★★	4/10	7/10	4/10	4/10
Stock Rating	Quality Score	Growth Score	Valuation Score	Momentum Score

Data as of January 27, 2026

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Growth that hasn't paid off

Business expansion has diluted operating strength

	FY21	FY22	FY23	FY24	FY25
Revenue (₹ cr)	859	1,136	1,284	1,364	1,450
Operating profit (₹ cr)	99	76	72	75	83
Op. margin (%)	11.5	6.7	5.6	5.5	5.7
Profit after tax (₹ cr)	81	56	36	34	39
Debt-to-equity (x)	0.2	0.4	0.5	0.5	0.4
ROCE (%)	31.4	17.5	12.2	12.0	12.7

Operating profit is earnings before interest and taxes

will grow faster, while the volume-led mass market, where Stove Kraft is most active, is likely to expand at a modest single-digit pace.

The expansion puzzle

Against this backdrop, Stove Kraft is expanding its retail footprint aggressively, aiming to open 500 new Pigeon stores by April 2027. This is a contentious strategy. Physical stores bring higher fixed costs, greater inventory requirements and pressure on return ratios. For a company that does not command premium pricing, this expansion risks adding complexity without improving economics.

Stove Kraft has also completed a significant capex cycle for new capacity and expects to increase revenue to ₹2,500 crore at peak utilisation. Current utilisation of around 60 per cent has churned ₹1,500 crore revenue for trailing 12 months.

In theory, this sets the stage for operating leverage as volumes rise.

In practice, operating leverage can only work if additional volumes come at healthy margins. This remains challenging for the company that operates in a market where growth is often driven by discounts and promotions. Higher utilisation thus, may not automatically translate into better profitability or stronger return ratios.

History shows up poorly

The company has often entered new categories in the past only to scale back later. The LED lighting business is a clear example. Once positioned as a growth opportunity, it peaked at about 6 per cent of revenues before being written off.

Newer ventures into grooming appliances, fans and personal care products follow a similar trajectory as the company enters markets that are already dominated by stronger brands.

Management credibility has also come under strain. Over-optimistic guidance followed by underwhelming outcomes has weighed on investor confidence. A rising promoter share pledging, up from under 7 per cent a few years ago to nearly 15 per cent now, and a string of senior management exits over the past financial year further explain the stock's 30 per cent fall in the last one year.

What needs to go right

At its core, Stove Kraft lacks a durable moat. Its products are easy to replicate and its customers are price-sensitive. Unlike premium peers that enjoy loyalty built on perceived quality, its value-led positioning makes it vulnerable whenever competition intensifies. But this does not make Stove Kraft a broken business. The opportunity lies in sharper focus and capital discipline.

Instead of spreading itself thin across categories and channels, the company needs to identify a few segments where it can build leadership, earn pricing power and improve returns. That will likely require fewer bets, tighter execution and a clearer definition of where the brand wants to win. In this context, prioritising e-commerce, which already contributes about 35 per cent of sales, makes strategic sense. It allows scale without heavy capital commitments. If Stove Kraft can rein in capital intensity and sharpen category focus, its familiarity could yet translate into strength. Until then, growth alone is unlikely to fix what is fundamentally a problem of focus and economics. ☑

By Abhinav Goel

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Mukul Ojha/AI-generated image

Turning the corner

Has operating leverage finally turned in Popular Vehicles' favour?

Losses from last year onwards have rendered Popular Vehicles' stock rather unpopular. Its investors have been left disappointed for most part of its nearly two-year journey since listing, as the auto dealership battles an industry slowdown. But things are looking up. And the company could be stepping into a meaningful rebound. To understand how, it's important to first look at what's been lagging it so far.

Painful economics

The losses are mostly due to the nature of the business itself. Dealership economics can be brutal. Popular Vehicles earns modest margins by selling new vehicles, pre-owned cars, spare parts and services. Low margins because it is a business where pricing power is limited, differentiation minimal and competition intense. The business runs on volumes, tight inventory control and disciplined costs, not on brand strength or product uniqueness. So when demand is healthy, the model delivers acceptable returns. When it softens, even slightly, the downside can be swift. That downside surfaced soon after its listing.

As automobile demand stagnated, volumes across segments failed to grow meaningfully. Inventory began building up across dealer networks. Discounting intensified as dealers scrambled to clear stock. What looked like a minor slowdown at the industry level translated into real stress at the dealership level.

The company's slim margins thinned further, with EBITDA margins slipping from about 5 per cent to nearly 3 per cent. In isolation, a two-percentage-point decline may not appear alarming. But for a dealership, it is destabilising. The reason is operating leverage.

The damage from negative operating leverage

Dealerships are retail businesses with heavy fixed costs. Lease rentals for showrooms and service centres must be paid regardless of footfalls. Employee expenses do not adjust quickly and inventory has to be financed, adding interest costs that accumulate as vehicles sit unsold.

So when volumes slow and discounting rises, revenues fall faster than costs. That is negative operating leverage in action. In FY25, this dynamic played out fully. Lower sales, higher discounts,

★★	1/10	6/10	5/10	5/10
Stock Rating	Quality Score	Growth Score	Valuation Score	Momentum Score

Data as of February 12, 2026

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In the slow lane

Subdued demand, rigid fixed costs drag the company into the red

	FY21	FY22	FY23	FY24	FY25
Revenue (₹ cr)	2,894	3,466	4,875	5,616	5,541
Operating profit (₹ cr)	79	94	141	167	60
Op. margin (%)	2.7	2.7	2.9	3.0	1.1
Profit after tax (₹ cr)	32	34	64	76	-10
ROCE (%)	18.1	18.0	21.2	20.5	7.4

elevated inventory and largely fixed costs collided and the company slipped into losses.

So why revisit the stock now?

Because the operating environment is beginning to change and early data shows operating leverage may soon be in Popular Vehicles' favour.

At the macro level, income tax cuts and GST reductions implemented in 2025 are expected to support automobile demand more than most discretionary categories. Early OEM volume updates are showing an uptick in sales across segments. While one quarter does not make a cycle, the direction has shifted.

There are also segment-specific tailwinds. The EU free trade agreement, which is expected to reduce import duties on European luxury vehicles, could support demand in premium and luxury segments. For Popular Vehicles, which has exposure to higher-end brands, this matters. Luxury vehicles typically involve lower discounting and higher realisations that can cushion margins even if volumes are modest.

Signs of pep

They are visible from the company's discounting, which has sharply reduced. From around ₹14,000 per vehicle in H2 FY25, dealer-level discounts are down to about ₹9,000 in H1 FY26. By November 2025, they had declined further to roughly ₹5,000-6,000 per vehicle, signalling easing inventory pressure and better demand-supply balance.

Inventory discipline has improved just as clearly. Inventory days, which peaked at 75 to 80 days in the second half of last year, have come down to around 34 days by December 2025. This shift is critical as lower inventory reduces working capital stress, interest costs and limits the need for aggressive discounting. In dealership businesses, this often marks the shift from survival to recovery mode.

The strongest confirmation came from the company's December quarter update. New vehicle volumes surged by around 50 per cent year on year. For a business built on operating leverage, volume growth with lower discounting can change profitability far more sharply than headline revenue growth implies.

Can profits swing back?

It's possible. Earnings in this business can swing meaningfully with even small improvements in volumes and margins. If Popular Vehicles were to stick to generating its existing revenue of around ₹6,000 crore while restoring EBITDA margins to 5 per cent, profits could recover to its previous levels of roughly ₹70-75 crore. On such earnings, the stock would trade at a re-rated P/E of around 10 times.

Remember this is not a forecast. It is only a reminder of how sensitive earnings are to operating conditions in a dealership business.

Before you rush in

Keep in mind that the past year has shown how unforgiving this model can be. The same operating leverage that can magnify recovery can just as easily amplify downturns. The rebound thesis rests heavily on volumes holding up and margins normalising.
If industry demand improves only modestly, or if discounting creeps back due to competitive pressure, earnings recovery can stall fast.

More importantly, fixed costs do not wait. If volumes plateau below expectations, the company may find itself once again spreading fixed costs over an insufficient revenue base. Popular Vehicles thus, needs to do more than just ride a cyclical upturn. It must gradually build a revenue base large enough to absorb fixed costs comfortably even in softer periods. The test is not just whether profits rebound in a good year but whether losses can be avoided in a bad one. ☑

By Kunal Bansal

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Cantabil's careful climb

A slow, self-funded expansion where execution will be the ultimate test

For an apparel retailer, restraint is not the usual instinct. The temptation is to plant flags everywhere, chase scale and trust that brand visibility will eventually justify the expense. Cantabil Retail India has tried that path before and has since chosen a quieter route. The company today looks less like a chain in a hurry and more like one that has learnt to grow at a measured pace.

Cantabil is not attempting to outspend or outshout larger rivals. Instead, it is building density in markets it understands, keeping formats manageable and funding expansion largely through internal accruals. The story is less about explosive growth and more about repeatability. What is working and what could yet go wrong both flow from that choice.

Sakshi/AI-generated image

What is working

A neighbourhood-first footprint: Cantabil's expansion map is skewed away from the obvious glamour markets. Around 20 per cent of its presence lies in tier-1 cities, while tier-2 and tier-3 towns account for roughly 40 per cent each. The focus is on smaller, neighbourhood-centric stores that sit close to everyday demand.

This format shapes everything else. Smaller stores typically mature faster. Once they capture the realistic footfall of their area, growth naturally moderates. That partly explains why Cantabil's same-store sales growth has hovered in the mid-single digits, recently around 4 per cent. That looks modest compared with faster-scaling peers but it is consistent with the economics of compact stores in relatively stable markets.

Thus, the strategy is opening stores steadily (around 70-80 additions a year), letting them break even quickly and moving on to the next cluster.

Mid-premium positioning: Cantabil occupies a semi-premium space. Pricing is neither bargain-basement nor aspirational luxury. The brand leans on value-for-money perception and word of mouth rather than heavy advertising. In smaller cities, where customers are price aware but willing to pay for perceived quality, that positioning resonates.

A broader wardrobe for future growth: Historically a menswear-led brand, Cantabil is gradually diversifying. The mix is still skewed, roughly 80 per cent men and the rest split between women's and kids' wear. Management sees the latter two as meaningful growth levers for the company.

This also means newer stores will somewhat be larger than older formats, allowing more display depth and assortment. Women's and kids' categories require greater variety and browsing space.

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

Data as of February 10, 2026

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The reward of restraint

A steady strategy has helped financials progress over time

	FY21	FY22	FY23	FY24	FY25
Revenue (₹ cr)	252	383	553	616	721
Operating profit (₹ cr)	59	111	167	164	206
Op. margin (%)	8.1	17.8	20.4	16.8	17.5
Profit after tax (₹ cr)	10	38	67	62	75
ROCE (%)	25.2	56.1	58.0	37.3	36.9

If executed well, this raises revenue potential per store without fundamentally altering the conservative rollout philosophy.

Self-funded expansion: Perhaps the most underappreciated aspect of the story is capital discipline. Cantabil carries limited debt and has largely funded expansion through internal accruals. Operating cash flows have exceeded capital expenditure in recent years. Self-funded growth thus limits excess, keeps balance-sheet risk low and anchors expansion to cash generation.

That discipline also shapes the company's growth ambition. Cantabil has laid out a revenue aspiration of around ₹1,000 crore by FY27, up from ₹721 crore in FY25. The implied 18 per cent annual growth is achievable, provided new stores mature on time and add to growth since same-store growth is modest.

What makes it vulnerable

Seasonality and fashion risk: Apparel retail is never entirely predictable. Roughly 60 per cent of Cantabil's annual sales come in the second half of the year, driven by festive and winter demand. A weak festive season or an unseasonably warm winter can quickly disrupt inventory cycles.

Fashion risk compounds the uncertainty. Misjudged trends lead to higher discounts, margin compression and inventory overhang. In a business with modest same-store growth, a single disappointing season can materially dent annual numbers.

Working capital intensity: Retail history is replete with examples of brands that expand rapidly and then stumble under the weight of inventory woes. Cantabil, though on a slow-growing path, is not completely immune. Its model is inventory heavy by design. Long product cycles and a broad product range lead to high inventory days.

So if demand slows and inventory builds up, the working-capital cycle could stretch and shrink free cash flows. Since expansion is largely self-funded, tighter cash flows would constrain store additions and may force the company to veer away from its debt-free strategy.

COCO concentration: Cantabil's expansion is largely company-owned and company-operated. The COCO model offers tighter control over brand, pricing and operations but it also means the company bears the full burden of store capex and operating costs.

This naturally slows growth compared with franchise-led peers. It also raises the stakes of execution. Rapid expansion into new geographies or larger formats that fail to ramp up as expected could drag margins and returns until stores mature.

Competitive pressure: The mid-premium value-fashion space is crowded. National chains, strong regional players and online-first brands are all chasing similar customers. Aggressive discounting by competitors, or deeper incursions into smaller markets, could pressure both footfalls and pricing power.

What to remember

Cantabil is unlikely to dominate headlines with spectacular growth rates. Its same-store sales are steady rather than dazzling. Its expansion is methodical rather than expansive. That is precisely the point. The company is on a slower, more conservative path. If store economics remain intact and cash flows stay resilient, the journey to ₹1,000 crore in revenue is plausible.

But the margin for error in apparel retail is thin. Seasonality or tighter liquidity can quickly test even disciplined models. The durability of the business will depend on how well expansion and cash generation stay aligned. ☑

By Satyajit Sen

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Nitin Yadav/AI-generated image

Booking an under-construction home? Know this

The clauses that shape your space, costs and timeline

In our last column, we examined the legal checklist for buying a resale property. In such transactions, the risks usually arise from the past. Questions of title, unpaid dues, tenants and previous liabilities tend to dominate. However, buying a new or under-construction property is different. Here, the uncertainty lies in what has not yet happened.

When you book a new home, you are committing money today for something that will be delivered in the future. Brochures, model apartments and sales presentations create expectations. The agreement you sign determines whether those expectations will be met. Before committing to a new project, the following clauses deserve careful attention.

Carpet area versus super built-up area

Developers often advertise the super built-up area, which includes a proportionate share of common spaces such as corridors, lobbies and staircases. The built-up area includes the apartment along with the thickness of the internal walls. The carpet area represents the flat's actual usable floor space.

Under the Real Estate (Regulation and Development) Act, 2016, apartments must be sold on the basis of carpet area. Even so, promotional material frequently highlights the larger, super-built-up figure because it appears more attractive. Buyers should ensure the carpet area is clearly stated in the agreement and review the sanctioned building plans to understand exactly how much usable space they are paying for.

Builder's right to alter plans

Some agreements include clauses that allow the developer to modify layout plans during construction.

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While minor technical adjustments may be unavoidable, broad alteration rights can significantly change what was originally shown.

Under RERA, any structural change or alteration in sanctioned plans generally requires the consent of at least two-thirds of allottees. However, agreements may still permit certain limited variations within defined parameters. Buyers should treat sample flats as illustrative rather than definitive. Legally, what matters are the sanctioned drawings and the specifications attached to the agreement. Reading this clause carefully helps you understand the extent of the builder's flexibility.

Additional and hidden charges

The price highlighted in advertisements is usually the base price. Once car parking, club membership, infrastructure charges, common utilities and maintenance deposits are added, the final outflow can rise substantially.

There is nothing inherently improper about additional charges if they are transparently disclosed. Problems arise when costs are vaguely described or introduced late in the process. Buyers should request a detailed written cost sheet listing all payable components and ensure the agreement reflects the total financial commitment rather than just the headline rate.

Construction-linked payment plans

Under a construction-linked plan, instalments become payable at specified stages of project completion. The agreement should clearly state payment milestones, due dates and penalties for delay. If an advance has already been paid, both the amount and the payment method must be recorded.

Buyers should assess their cash flow realistically before opting for such plans. Construction delays do not automatically suspend payment obligations unless the agreement specifically provides for it. It is also important to check whether compensation for delayed possession is defined and whether any grace period applies.

Taxes and statutory charges

Apart from the purchase price, buyers may have to bear registration charges, stamp duty, GST (wherever applicable) and other statutory levies. In some cases, developers collect and remit these amounts. In others, buyers are required to pay directly.

Property tax is generally the developer's responsibility until possession is handed over. After possession, the liability typically shifts to the buyer. These responsibilities should be clearly stated in the agreement to avoid ambiguity about who pays what and from when.

Possession timeline and delay compensation

Agreements often specify a broad timeframe, such as 24 months from commencement, rather than a specific possession date. Buyers should prefer clearly defined timelines wherever possible.

Under RERA, purchasers are entitled to compensation or a refund with interest in the event of unreasonable delay, subject to the terms of the agreement. Enforcement may require time and effort, so it is prudent to examine whether the agreement specifies the rate of compensation payable for delay and whether the penalty structure applies fairly to both parties.

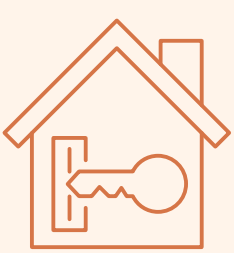
Transfer and assignment restrictions

Some agreements restrict buyers from transferring or assigning the property before the formation of the housing society or completion of the project. Such restrictions can limit flexibility if personal or financial circumstances change.

The enforceability of transfer restrictions depends on the specific terms of the agreement and applicable law. Buyers should understand how long such limitations remain in force and what procedural requirements apply before deciding to commit to the purchase.

The final word

Buying a new property is ultimately an exercise in trust. You are relying on plans, timelines and commitments that will unfold over time. The comfort of that trust does not come from brochures or model apartments. It comes from clarity in the agreement.



The more carefully you read and understand what you are signing, the more likely it is that expectations and reality will align when the possession finally arrives. ☑

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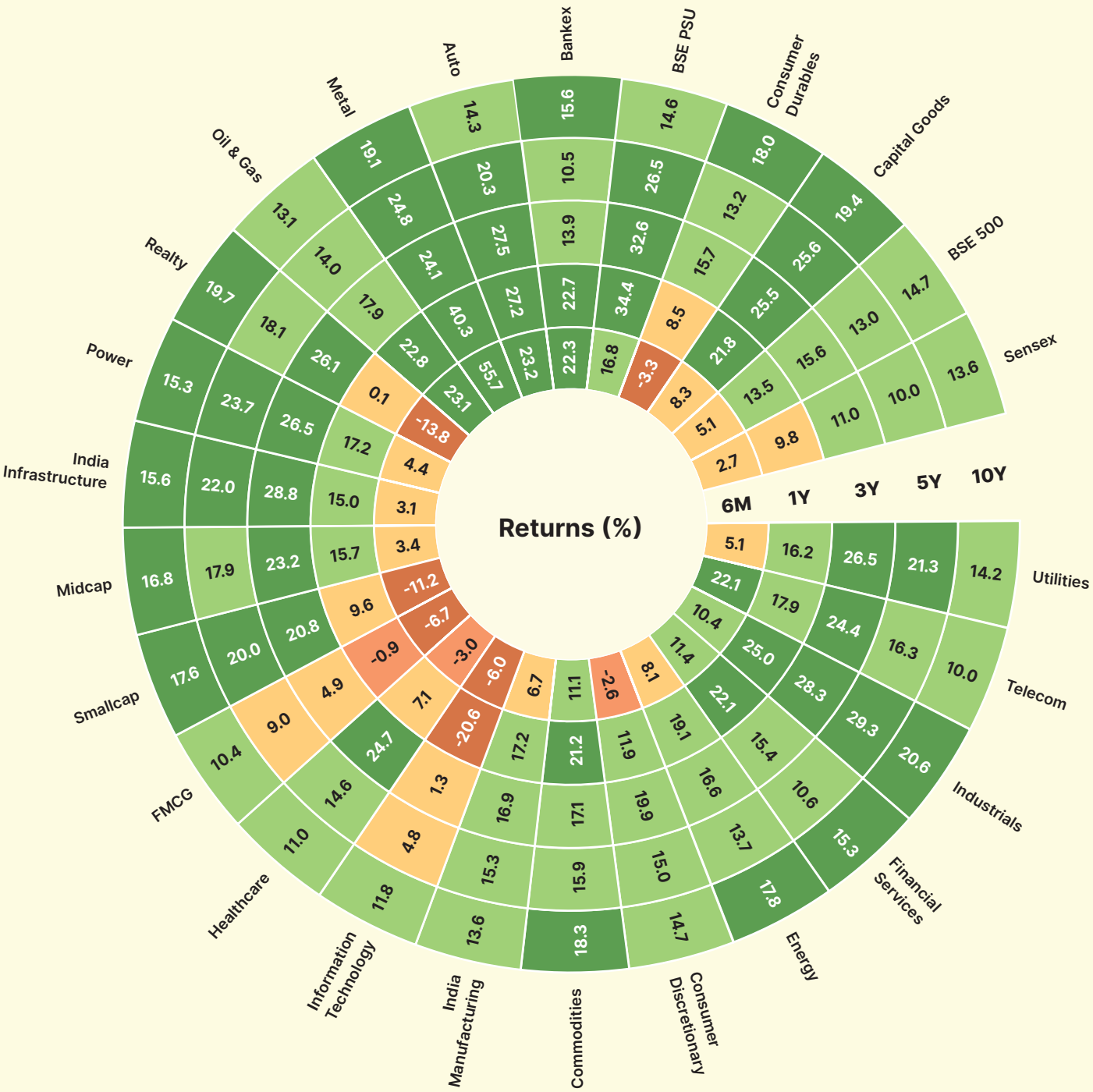
Sector snapshot

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 February 17, 2026 for major BSE indices. Returns for over a year have been annualised.

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COVER STORY

CRASH PROOF STOCKS

The formula that protects your portfolio in downturns

By Udhayaprakash

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The headline for this cover story may strike some as an oxymoron. That judgment would be partially right. In markets, nothing is truly unsinkable or crash-proof. When the seas turn violent, even the grandest vessels take a hit. But the damage is never the same. A stronger ship, built with better engineering, hull and proper ballast, takes lower impact. It lurches but rarely goes under.

In equity markets, such steady vessels are dividend-paying businesses. A unique category that, while not completely immune to downturns, still provides a stronger cushion than others when things turn rough. And in doing so, they provide crucial ballast to portfolios, keeping them afloat. Importantly, this is not an argument for trading returns for safety, but a case for choosing dividend-paying companies that offer the best of both worlds. We have captured them in this story. But before that, we will answer what makes dividend stocks uniquely resilient.

Quality first, dividends second

Dividends on their own do not create resilience. They are the visible proof of the quality that does. To pay steadily, a business must not only earn profits but convert them into cash consistently. That demands disciplined capital allocation and balance sheet strength.

Our exercise in the table 'Proof of health' shows how dividend-paying businesses tend to be naturally stronger on these parameters versus those that don't. Companies that have paid dividends in at least seven of the last 10 years, with a median payout ratio above 20 per cent on average, demonstrate superior cash conversion, lower leverage, far greater comfort in servicing debt and materially higher returns on equity (ROE). The dividends were simply a result of these

Proof of health

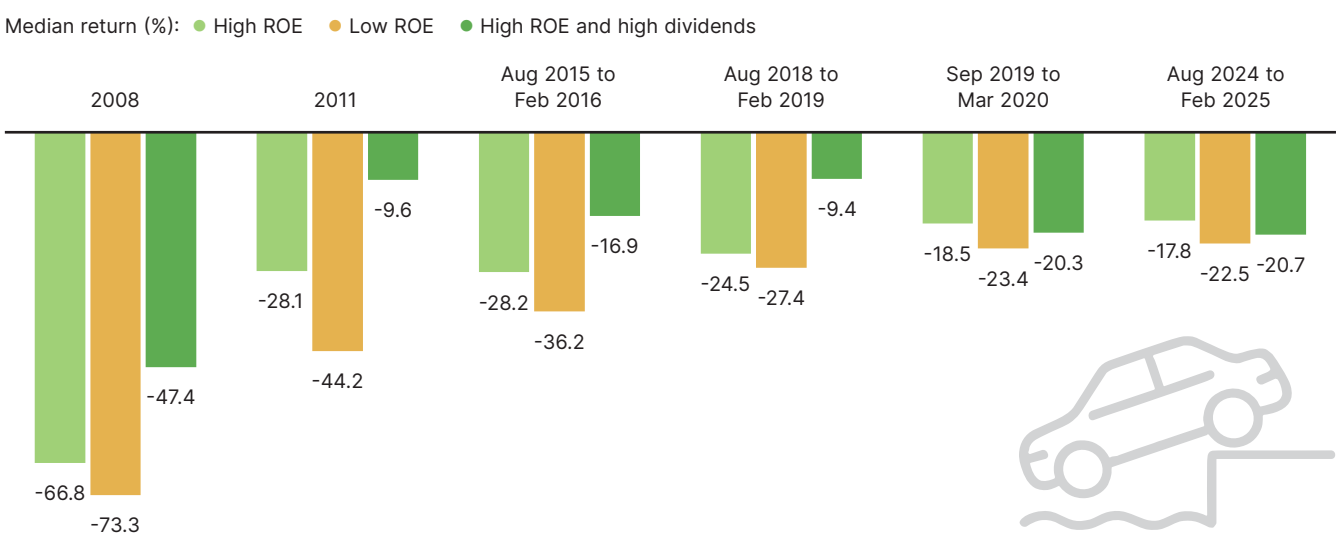
Regular dividend payers show stronger cash flows, lower leverage and higher profitability

	Non-dividend payers	Dividend payers
CFO to EBITDA	0.87	0.99
Median debt to equity (times)	0.4	0.0
Median interest coverage (times)	1.2	15.6
Median ROE (%)	1.1	17.8
Median 10Y return (% pa)	13.6	13.6

Dividend payers were companies that paid dividend in at least seven out of the last 10 years with a 10-year median payout of over 20 per cent

Crash-tested

Companies with a sustained high ROE fall less. Those that also pay dividends fall the least.



ROE data as of the latest financial year preceding each downturn was considered. See accompanying text for cohort definitions.

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traits. Crucially, their financial strength did not come at the cost of returns. Their 10-year median returns are at par with those of non-paying peers.

But the real test of strength is not in fair weather. It is in a storm. And this is where dividend-backed quality truly shines. To examine this, we looked at major drawdowns over the past two decades and asked a simple question: When markets crack, do dividend stocks fall less?

Tested in turbulence

We constructed three cohorts for each stress period, using data till the latest financial year before each downturn. So, for the crash from August 2018 to February 2019, data as of FY19 were considered. This ensures the analysis reflects the actual metrics at the time. A minimum market cap floor of ₹100 crore was also applied to exclude very small and illiquid companies.

- Companies with a five-year median ROE of at least 15 per cent, and above 15 per cent in at least four of the five preceding years formed the high ROE group.
- Companies with a five-year median ROE of less than 15 per cent, and more than 15 per cent in no more than two of the previous five years, formed the low ROE group.
- Among the high ROE set, those that also maintained a five-year median dividend payout of at least 40 per cent formed the 'high ROE + dividend group'.

We then measured how the three groups behaved during successive market shocks. The pattern was strikingly consistent. The second group, those with persistently weak profitability, suffered the deepest drawdowns. The first group with sustained high ROE declined less than the others. And the last group, which paired high ROE with meaningful dividend payouts, typically held up best of all (see table 'Crash-tested').

Importantly, the sharper declines in the 'high-ROE + dividend group' during the last two corrections were due to a higher proportion of cyclical companies that had distributed elevated payouts prior. Excluding these outliers, the median drawdown for the group would've been closer to 10 per cent, reinforcing the broader pattern.

The evidence so far points to a clear conclusion: dividends are a sign of a company's health and healthy businesses that distribute cash stabilise investor portfolios better. But there is still a crucial caveat investors must know. It has to do with the payout ratio.

The high payout trap

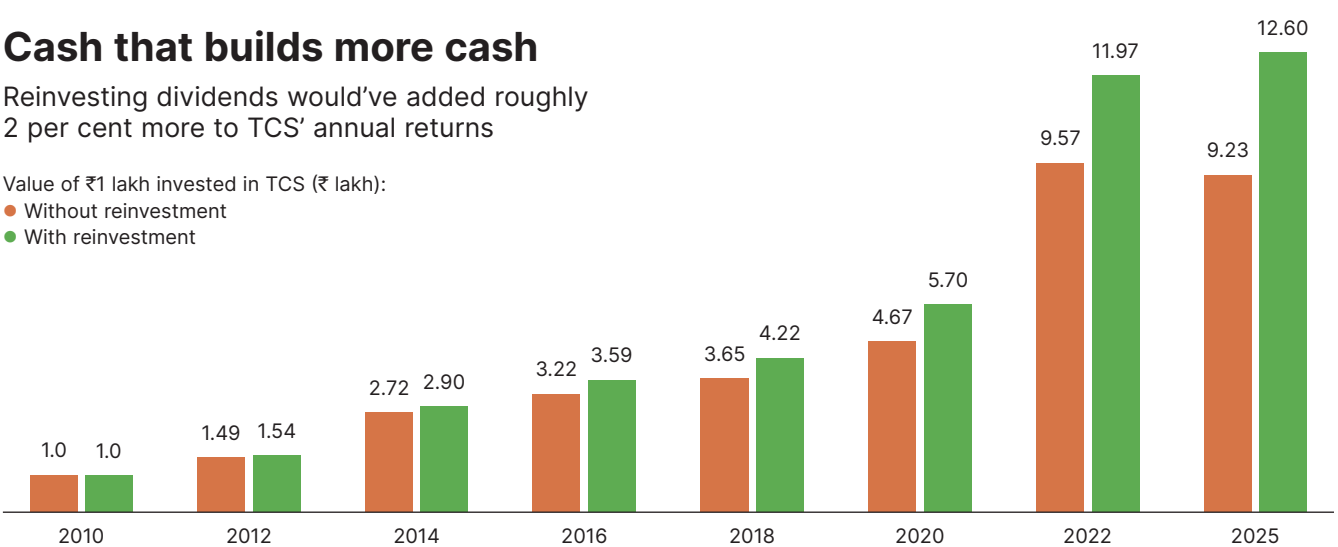
It is tempting to assume that a higher payout makes for a better investment. Who doesn't like more cash in hand? Or even better, a high-dividend yield? But data stubbornly refuses to back this intuition. High payout ratios actually make businesses less rewarding.

Companies that paid out more than 60 per cent of their profits over the last 10 years have delivered an average annual return of 9.5 per cent, materially lower than the 14.5 per cent average return of those that maintained moderate payouts of 20 to 60 per cent.

The reason is simple: a high payout ratio often signals limited reinvestment opportunities. There may be a few projects that can generate attractive returns.

Cash that builds more cash

Reinvesting dividends would've added roughly 2 per cent more to TCS' annual returns



Initial investment of ₹1 lakh. Dividends received each year were assumed to be reinvested.

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Thus, growth slows and earnings stagnate. The business becomes income-heavy but growth-light. Such a stock may sport an attractive dividend yield, but over the long term, its returns could be poor.

By contrast, companies with moderate payouts generate enough cash to reward shareholders while retaining sufficient earnings to reinvest at healthy returns. That reinvestment fuels future profit growth. And rising profits in turn support rising dividends.

That is why investors should focus less on high yields, often the result of high payouts that merely reflect current distributions, and more on dividend growth. The latter is a signal of strong underlying economic fundamentals and reflects expanding earning power, which leads to better overall returns.

And when those rising payouts are reinvested, the compounding becomes even more powerful.

The compounding kicker

Dividends do not merely provide income. They also create an additional engine of compounding, provided they are put back to work. Consider a simple illustration: an investment of ₹1 lakh in TCS in 2010, held through to FY25, would have compounded at roughly 16 per cent annually on price appreciation alone. A respectable outcome by any measure. Over the same period, the investment would have also generated ₹2 lakh in dividend income. If this were reinvested rather than spent, the annualised return rises meaningfully, to over 18 per cent. An extra 2 per cent for free with no effort. The difference may appear modest at first glance. But over long horizons, even small increments compound dramatically (see 'Cash that builds more cash').

Who dividends are not for

If rapid expansion is the goal, the ideal hunting ground is companies that are fundamentally strong and choose to reinvest most, if not all, of their profits back into the business. If returns on capital are high and reinvestment opportunities plentiful, their earnings can scale quickly, translating into substantial wealth creation over time.

Dividend-focused investing is for those who prioritise durability alongside growth. You don't get explosive returns, but you do get steadier compounding with lower vulnerability in downturns. Thus, dividend stocks are for those who value balance sheet strength, steady cash discipline and a degree of downside control alongside measured growth.

Our shortlisting framework

If the goal is durability without sacrificing growth, the task is to identify businesses that consistently combine profitability, efficient capital allocation, disciplined payouts and reinvestment.

To do so, we applied a set of objective filters:

- Market capitalisation of at least ₹1,000 crore to ensure reasonable scale.
- ROE above 15 per cent in at least eight of the last 10 years.
- Dividend payments in each of the last 10 years to establish consistency.
- Dividend growth in at least seven of the last 10 years, allowing for occasional fluctuations such as special dividends.
- A median dividend payout ratio below 50 per cent to ensure sufficient reinvestment.
- Five-year annual growth in revenue and profit after tax (PAT) of at least 10 per cent to ensure retained earnings are supporting expansion.

Applying the above criteria revealed 34 companies.

Note that we did not apply a valuation filter at this stage. Instead, we assessed valuation in the context of each company's future prospects and competitive position.

From this universe, we selected eight companies for closer examination. This list is not a set of recommendations, but only a starting point for further analysis. Investors seeking more specific portfolio guidance and our buy-sell recommendations may consider exploring **Value Research Stock Advisor.**

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Providing the best of both words

These companies have delivered steady growth and dividends over the past decade

Company name	Market cap (₹ cr)	5Y growth (% pa) Revenue	EBIT	PAT	Score Quality	Growth	Valuation	Momentum
HDFC Bank	14,34,323	22.4	-	21.9	9	7	6	4
Bajaj Finance	6,00,687	21.4	-	26.1	10	9	6	6
Bharat Electronics	3,19,547	12.9	23.6	24.1	9	5	2	9
Eicher Motors	2,00,136	15.6	17.2	21.0	10	7	4	10
TVS Motor Company	1,78,787	18.5	26.3	28.3	4	8	2	10
LTIMindtree	1,67,845	28.4	25.7	24.8	10	7	5	5
Muthoot Finance	1,55,922	15.8	-	11.1	10	9	4	10
Pidilite Industries	1,50,479	12.5	13.5	12.7	10	6	4	4
Solar Industries	1,21,462	27.5	38.2	35.8	9	9	3	6
Polycab India	1,16,508	20.5	22.3	21.7	9	8	3	6
REC	93,651	13.5	-	26.1	10	7	7	2
Persistent Systems	92,658	27.3	37.5	32.7	10	7	3	5
Havells India	86,107	18.2	15.9	14.9	10	7	4	1
Dixon Tech	70,434	54.6	45.2	49.9	7	8	5	1
Berger Paints India	53,465	12.6	11.5	12.5	8	6	4	3
IRCTC	50,872	15.6	17.9	20.1	9	7	5	1
PI Industries	48,477	18.8	25.9	29.5	9	6	6	1
Supreme Industries	46,857	13.6	11.3	15.5	10	6	4	3
KEI Industries	43,860	14.8	15.6	22.1	5	6	4	8
Astral	41,148	17.7	16.0	15.8	9	6	4	7
Blue Star	40,094	17.4	30.2	32.3	7	6	3	6
Metro Brands	29,165	14.3	16.5	17.3	10	7	4	3
Angel One	25,291	48.5	68.4	68.3	7	6	5	7
Dr Lal Pathlabs	24,365	13.1	15.4	16.7	10	6	4	1
Grindwell Norton	18,777	12.2	15.3	15.1	10	7	4	5
V-Guard Industries	14,810	17.4	12.8	10.8	8	7	4	3
Concord Biotech	13,427	18.6	19.8	17.1	8	6	3	2
Caplin Point Laboratories	13,167	17.6	20.5	20.3	8	7	5	6
Newgen Software	7,881	17.6	32.3	34.1	10	6	6	2
LG Balakrishnan & Bros	5,941	10.8	24.7	30.0	9	6	6	10
Jamna Auto Industries	5,378	15.0	28.3	30.4	7	7	6	10
Saksoft	2,234	19.7	20.0	23.0	9	5	7	6
Mold-Tek Packaging	1,982	12.3	10.1	10.1	4	6	5	7
Wealth First Portfolio	1,023	37.1	83.2	94.0	7	6	3	5

Data as of February 10, 2026. Operating profit growth for finance companies is not applicable.

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CAPLIN POINT LABORATORIES

Beyond the US battlefield

Caplin Point has built its pharmaceutical franchise by avoiding the obvious battlefield. Rather than crowding into the bruising US generics market, it has focused on Latin America and other emerging markets. In FY25, about 76 per cent of revenue came from Latin America, 12 per cent from the US and the rest from other markets.

What sets the model apart is control. In several Latin American markets, Caplin operates its own front-end distribution network instead of relying entirely on third-party distributors. That ownership of the last mile provides visibility over pricing, inventory and receivables.

The structure lends earnings stability. Branded generics in semi-regulated markets face slower price erosion than commoditised US oral solids. Direct relationships with pharmacies and distributors help defend margins during volatility. At the same time, the company has expanded into sterile injectables in the US. These products demand higher compliance standards and sustained regulatory investment, but once approved, they typically face lower competition and longer product cycles. The mix of emerging-market branding and complex US filings has supported profitability and return ratios.

However, concentration risk remains. With over three-fourths of its revenue linked to Latin America, currency swings or policy shifts in key countries can affect earnings. The injectables business, while promising, depends heavily on regulatory approvals and timely filings. A few delayed approvals can alter growth visibility. Unlike larger pharma peers, Caplin does not yet have broad geographic diversification to cushion such shocks.

At about 21 times earnings and nearly four times its book value, Caplin's valuation assumes continued execution. Sustaining growth while managing geographic and regulatory concentration will thus, be crucial.

27.6
10Y median ROE (%)

9.4
10Y median dividend payout (%)

21.5
Current PE/PB

EICHER MOTORS

The 'Royal' franchise

Eicher Motors draws most of its strength from Royal Enfield, its mid-sized motorcycle franchise, while VE Commercial Vehicles, its joint venture with the Volvo Group, offers diversification through trucks and buses. Royal Enfield commands an 87 per cent market share of India's 250cc to 750cc bike segment. Exports contribute roughly 11 per cent of volumes.

Royal Enfield has been one of the biggest beneficiaries of India's premiumisation trend. Over the past decade, consumers have gradually shifted from entry-level commuter motorcycles to larger-engine, lifestyle-oriented bikes. By staying focused in the 250cc-plus category, the company has avoided price wars that dominate the entry-level segment. This strategic positioning has allowed it to maintain pricing discipline and protect margins. The expansion of its platform portfolio, including the Hunter and Himalayan refresh, has broadened the customer base without diluting brand identity. In addition, revenue from accessories, apparel and service enhances margins and strengthens customer loyalty.

Yet, dominance in a niche does not guarantee permanence. The 250cc-plus segment has attracted credible global competitors through Indian partnerships, directly targeting Royal Enfield's core demographic. With penetration already high, incremental market share gains become harder. Exports, though improving, remain modest and require sustained investment in distribution and localisation. While VE Commercial Vehicles adds scale, but introduces economic cyclicality tied to infrastructure spending and freight cycles.

At around 37 times earnings, valuation assumes continued premium growth and margin stability, leaving limited room for execution missteps, competition or slowdown. A decline in discretionary consumption, especially in urban markets or erosion in segment dominance, could weigh on both growth and profitability.

24.3
10Y median ROE (%)

27.3
10Y median dividend payout (%)

37.4
Current PE/PB

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HDFC BANK

Scale, then balance

Few financial institutions in India have combined scale and consistency as seamlessly as HDFC Bank. As India's largest private sector lender and the second-largest overall, it has a massive loan book of ₹28.4 lakh crore post-merger with HDFC. Retail loans accounted for about half of advances as of December 2025, while the merger added a housing portfolio of nearly ₹8 lakh crore, cementing its leadership in home finance. With 9,616 branches, almost a third of which are in semi-urban locations, the bank commands one of the country's deepest distribution networks.

Its defining trait has long been underwriting discipline. For nearly three decades, HDFC Bank has sustained a return on equity above 15 per cent while keeping gross NPAs among the lowest in the sector. Conservative credit filters, granular retail exposure, and steady provisioning have helped it navigate cycles without sharp asset-quality shocks. Growth has rarely come at the cost of prudence. The Reserve Bank of India (RBI) expects credit growth of 12 to 13 per cent annually over the medium term, offering structural tailwinds.

The merger, however, has reshaped the balance sheet. Loan growth initially outpaced deposit mobilisation, lifting the credit-to-deposit ratio and tightening liquidity. In FY25, it moderated advances and stepped up deposit mobilisation to restore balance. The enlarged mortgage book improves portfolio stability but carries lower yields than unsecured retail loans, potentially limiting margin expansion. System-wide competition for deposits remains intense, keeping funding costs firm.

At about 2.5 times its book value, below its historical median of 3.1 times, the valuation discount reflects moderated growth post-merger and tighter margins. Re-accelerating advances while preserving credit discipline will determine whether that discount narrows.

17.1
10Y median ROE (%)

18.6
10Y median dividend payout (%)

2.6*
Current PE/PB*

MOLD-TEK PACKAGING

Quietly essential

Mold-Tek operates in a niche that doesn't draw headlines but remains essential. It manufactures rigid plastic pails and containers for paints, lubricants, food, FMCG and more recently, pharmaceuticals. In FY25, revenue stood at ₹781 crore, up 11.8 per cent year on year. Paint packaging remains the largest segment, followed by food and FMCG, lubricants and the new pharma division. Food and FMCG packs grew over 9 per cent, while square packs expanded 22 per cent. Its 10 manufacturing facilities across India ensure proximity to clients and quicker delivery cycles.

Its competitive advantage lies in design capability and backward integration. Mold-Tek pioneered in-mould labelling in India and operates an in-house tool room that enables rapid development of customised packaging. In paints and FMCG, where branding and differentiation influence buying decisions, this flexibility matters. The company has cultivated long relationships with large clients, including Asian Paints, Pidilite and Castrol. The new pharma facility at Sultanpur, commissioned in FY25, reached break-even within its first year and secured multiple certifications, positioning it in a higher-margin segment.

Demand for rigid plastic packaging is expected to grow in high single digits, supported by organised retail and formalisation. The pharma packaging opportunity could grow faster given regulatory shifts towards higher-quality packaging.

However, paint demand follows housing and renovation cycles, lubricants track automobile volumes and FMCG can be uneven. EBITDA margin moderated to 18.4 per cent in FY25, reflecting raw material volatility and operating leverage pressures. As a plastics processor, spreads remain vulnerable to crude-linked polymer swings.

At nearly 29 times earnings and three times book, its valuation assumes stable margins and successful scaling of the pharma vertical.

17.3
10Y median ROE (%)

37.2
10Y median dividend payout (%)

28.9
Current PE/PB

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PI INDUSTRIES

Science as strategy

PI Industries operates at the intersection of chemistry, biology and process engineering. Earlier known mainly for agrochemical contract manufacturing, it has evolved into an integrated life sciences company. Around 80 per cent of revenue comes from exports, led by custom synthesis and manufacturing partnerships with global innovators, while the domestic business contributes the balance through crop protection products and biologicals.

Its competitive edge comes from long-standing partnerships with over 20 innovator companies, spanning molecule development to commercial-scale production. These relationships create high entry barriers through process expertise, regulatory compliance and IP protection. Multi-purpose plants enable efficient handling of complex chemistries, while investments in flow chemistry and vapour phase reactions have improved productivity and margins. The acquisition of Plant Health Care has strengthened its biologicals platform, aligning the portfolio with the global shift towards sustainable agriculture. Industry estimates cited in its FY25 annual report suggest the agrochemical sector could grow 7-9 per cent annually, with biologicals and specialty chemistries expanding faster. PI's entry into health sciences through a dedicated subsidiary further signals diversification, though still nascent.

19.1
10Y median ROE (%)

12.9
10Y median dividend payout (%)

32.1
Current PE/PB

Yet the business remains exposed to global demand cycles. In FY25, exports faced softness due to inventory corrections and delayed shipments by customers. Agro-chem exports declined because of volume phasing, even though margins held up relatively well. Dependence on a concentrated set of global innovators means revenues can fluctuate if order schedules shift. Domestic agri demand, meanwhile, remains sensitive to monsoon patterns and farm realisations. At about 32 times earnings, valuations price in execution strength, but export concentration and order volatility remain key risks.

POLYCAB INDIA

King of the cable

Polycab India did not become India's largest wires and cables maker by accident. Its dominance rests on scale, distribution depth and a steady shift of the industry towards formalisation. In FY25, wires and cables contributed about 85 per cent of consolidated revenue, while fast-moving electrical goods (FMEG) accounted for roughly 9 per cent and EPC for the remainder. With an estimated 26 to 27 per cent share of the organised market, Polycab stands firmly at the top of a segment where compliance norms and GST have steadily pushed out smaller, unorganised players.

Scale has been its enduring advantage. Early investments in manufacturing capacity allowed it to meet rising demand without bottlenecks. A distribution network spanning thousands of dealers and retailers ensured reach across urban and semi-urban markets. Direct engagement with electricians and contractors strengthened brand recall at the decision point. Larger procurement volumes have also provided bargaining power in copper and aluminium, cushioning the impact of commodity volatility. Project LEAP, completed in FY25, streamlined organisational processes and improved working capital discipline, helping protect margins despite input price swings.

19.5
10Y median ROE (%)

15.3
10Y median dividend payout (%)

44.4
Current PE/PB

Yet, leadership does not rule out cyclicality. Demand remains tied to infrastructure, real estate and industrial capital expenditure. The FMEG segment, while expanding, competes in a crowded market with entrenched rivals and structurally lower margins. Export revenue registered marginal de-growth in FY25 amid geopolitical disruptions, underscoring exposure to global cycles.

Management expects the wires and cables industry to grow at 1.5 to 2 times real GDP, supported by infrastructure and renewable investments. At about 44 times P/E, the valuation assumes sustained high growth. Any slowdown in project activity or sharper commodity volatility could challenge growth expectations.

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REC

Lender to the grid

REC occupies a specialised corner of Indian finance. As one of the country's largest lenders to the power sector, it funds projects across generation, transmission and distribution, while gradually widening its scope to renewables and select infrastructure segments. In FY25, its loan book stood at about ₹5.7 lakh crore. Recent expansion has been driven by higher transmission spending, renewable capacity additions and government schemes aimed at strengthening state electricity utilities.

Its advantage lies in sector depth. REC operates largely within the power ecosystem and lends predominantly to central and state-backed entities. That focus provides visibility into project viability and policy direction that diversified NBFCs often lack. Asset quality has stabilised in recent years as payment discipline among state discoms has improved and legacy stressed exposures have been resolved. The portfolio today is heavily government-linked, moderating counterparty risk compared to private corporate lending.

However, structural risks remain. Growth remains tethered to investment momentum in the power sector. If state finances weaken or policy execution slows, loan expansion could stall. Earlier cycles of elevated NPAs were not just cyclical setbacks but reflected exposure to financially fragile discoms and stressed private power producers. While that phase has largely been addressed, concentration risk is inherent.

The proposed merger with parent Power Finance Corporation needs to be watched. A combined entity would command greater scale and potentially lower funding costs, though shareholder gains will hinge on the swap ratio. Trading at about 1.1 times book with a dividend yield above 5 per cent, its valuation reflects sector concentration and its history of stressed assets, even as the power and renewable investment cycle remains supportive.

20.9
10Y median ROE (%)

30.0
10Y median dividend payout (%)

1.1*
Current PE/PB*

SUPREME INDUSTRIES

The pipes powerhouse

Supreme Industries has built its leadership through scale. As India's largest plastics products manufacturer, it operates 35 plants and spans four segments: plastic piping systems, industrial products, packaging and consumer goods. In FY25, piping remained the backbone, contributing over 60 per cent of revenue.

Leadership has come less from pricing power than from reach and operational depth. Supreme has developed one of the industry's widest distribution networks, with more than 2,500 distributors across urban and rural markets. Continuous capacity additions and plants located close to demand centres have preserved cost efficiencies. Over time, the company has expanded beyond basic PVC pipes into CPVC, HDPE and value-added fittings, steadily improving product mix. Backward integration through group company Supreme Petrochem has added resilience, helping cushion the impact of raw material volatility.

Industry demand, too, remains structurally supportive. CRISIL expects the plastic pipes market to grow at 10 to 12 per cent annually, driven by investments in housing, urban infrastructure, and water management. The business, however, remains tied to construction and infrastructure cycles. Demand is influenced by housing activity, irrigation spending and government-led projects. In FY25, EBITDA margin moderated to about 13.7 per cent, reflecting polymer price movements and competitive intensity. The lower end of the industry is fragmented, with regional players often competing aggressively on price.

As a plastics processor, Supreme Industries remains exposed to crude-linked polymer swings that can compress spreads during sharp volatility. At over 50 times earnings and about eight times book, the valuation assumes sustained execution and narrows the margin for cyclical softness. ☑

22.3
10Y median ROE (%)

37.4
10Y median dividend payout (%)

57.5
Current PE/PB

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ROHIT SINGHANIA
CO-HEAD OF EQUITIES, DSP MUTUAL FUND

'Invest in cyclicals with a price target in mind'

DSP Mutual Fund's Rohit Singhania shares his thoughts on investing in cylicals, energy transition and current valuations

Markets have entered a phase of consolidation after a strong rally, with sharp stock-level corrections. Yet, DSP Mutual Fund's Rohit Singhania believes it is more of a healthy time correction than a structural bear market, drawing comfort from improving earnings visibility, easing downgrades and pockets of positive surprises across sectors.

Singhania, Co-Head of Equities at the fund house, manages schemes such as DSP Dynamic Asset Allocation, DSP ELSS Tax Saver and DSP India T.I.G.E.R. Fund. With over two decades of experience, he joined DSP in 2005 after a stint with HDFC Securities.

In this interview, Singhania also shares which segments he finds attractive today, the strong performance of the large & midcap and small-cap funds, how he analyses oil marketing companies and the factors expected to drive India's natural resources in the coming years.

After the strong rally of the last few years, markets are now moving sideways with sharp stock-level corrections. What

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would convince you that this is just a healthy consolidation, and what signals would tell you that we have entered a deeper bear phase?

I don't believe we've entered a bear phase. If you rewind 12-15 months, corporate earnings were the big question mark. Quarter after quarter, results disappointed, not just within the Nifty 50 but across broader markets. Yet, markets remained elevated. Everyone kept expecting a normalisation that never quite arrived.

Fiscal year 2025 earnings weren't disastrous but were clearly weaker than expected. At the same time, global trade uncertainties and tariff expectations didn't play out as hoped. So, in my view, the last 15 months represent a healthy time correction rather than a structural bear market.

What gives me greater comfort now is the most recent quarterly results. For the first time in many quarters, we are seeing signs of stabilisation. The pace of earnings downgrades has eased, analysts are no longer uniformly negative and across several sectors, earnings have surprised positively, narrowing the gap between expectations and delivery.

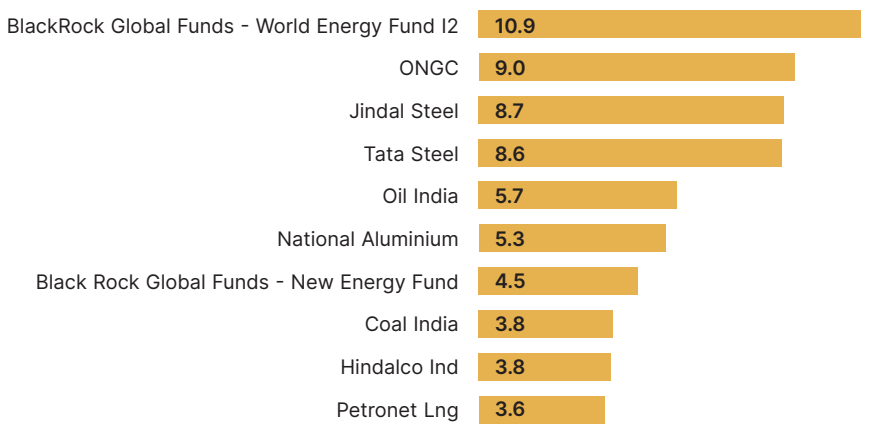
Nifty 50 valuations at 20-21x one-year forward earnings are not cheap, but when I combine improving earnings visibility, macro stability, better GDP growth expectation for the next two years, strong corporate and bank balance sheet, I don't get worried. The next three to six months appear conducive for staggered investment.

Which parts of the market look most attractive on a risk-reward basis today? And where do you still see excess valuations?

We favour areas where three factors align: earnings visibility, balance-sheet strength and reasonable valuations. Currently, that framework points us toward Financials, Telecommunications, Healthcare and select PSU names within Energy and Financials. Within Financials, certain banks stand out for their combination of valuation comfort and growth visibility. For investors with a two- to three-year horizon, these segments offer a compelling risk-reward profile.

On the other hand, Industrials appear stretched. Valuations seem to already price in strong growth, and in many cases, the implied expectations leave little margin for error. Consumer staples present a more nuanced picture. Historically, they haven't screened as expensive, but relative to recent business performance and near-term growth expectations, valuations remain elevated. Growth has slowed, yet multiples haven't corrected meaningfully. If bottom-of-the-pyramid consumption revives from a low base, growth can improve. But at current prices, selectivity is key.

Top 10 fund holdings



Can you walk us through the core philosophy of the DSP Natural Resources and New Energy Fund? What do you invest in, how you run the strategy and what's driven its steady performance?

This is a thematic strategy, so flexibility is essential. The portfolio broadly comprises three buckets: domestic metals & mining, domestic oil & gas and two offshore funds.

While one is an actively managed equity fund that invests globally in companies involved in the exploration, development, production and distribution of energy, the other is an actively managed equity fund that invests in global companies contributing to the alternative energy and energy technology sectors.

The offshore exposure enables efficient participation in global themes. For instance, India offers limited pure-play exposure to crude dynamics, so the global energy fund provides more direct access. Similarly, the clean energy theme was initially accessed through an international fund due to the limited number of domestic pure-play opportunities. Allocation

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across these buckets is dynamic and influenced by commodity cycles, liquidity and bottom-up stock analysis. Metals, in particular, move closely with global commodity prices, and when our outlook is constructive, the portfolio positioning reflects that view.

Since most metal companies are price takers, what really separates a great metal company from an average one: cost leadership, integration, balance sheet strength or capital discipline?

It really comes down to balance sheet strength and capital discipline. If you look back 10 years, these companies were buried in debt, which made even a small dip in earnings dangerous.

Today, the landscape is totally different. Most have deleveraged significantly; they have lower debt-to-equity ratios and much better interest coverage. We've also seen a big improvement in promoter discipline. This structural shift has lowered the overall risk, which is why we're seeing valuations move higher. In a cyclical business, being strong enough to survive the 'down' times is just as important as riding the 'up' times.

Metals are deeply cyclical. What indicators do you rely on to spot turning points, and how early do they usually signal a shift?

Honestly, you don't try to call the exact bottom; that's a losing game. Instead, it's about building a 'directional conviction'. We look at the big picture: global supply-demand shifts, cost trends and liquidity. China remains a major factor in sentiment, and you have to keep a close eye on currency flows as well.

Once we feel the wind is changing, we let our bottom-up research take over. Even if we're bullish on a specific metal, we don't just buy anything. We look for the companies with the best cost structures and integration, because those are the factors that actually determine who wins in the long run.

> **Most metal companies have deleveraged, have lower debt-to-equity and better interest coverage. This shift has lowered overall risk, pushing their valuations higher.**

Oil marketing companies (OMCs) often look cheap on P/E, but profits can be policy-driven. What's the right way to analyse OMCs, and what do investors typically get wrong?

The biggest trap people fall into is extrapolation. It's easy to look at a period where margins are soaring, annualise those numbers and conclude that the stock is incredibly cheap. But that's a mistake. These are cyclical businesses that are highly sensitive to government policy; they need steady, long-term profitability to sustain dividends and massive capital expenditures.

Instead of chasing peak margins, you have to value them based on normalised earnings – what they can realistically make across an entire cycle, not just during a hot streak. With OMCs, you really need to use conservative modelling and insist on a much larger margin of safety before jumping in.

Many investors see Oil & Gas as a 'sunset' sector. Yet, these companies generate strong cash flows and dividends. How should investors think about them in an energy-transition world?

The most important thing to remember is that the energy transition is a gradual process, not an overnight switch. Even with all the talk about green energy, the reality is that for the next few years, the majority of big capital spending is still going right back into core hydrocarbon projects. While clean energy segments are definitely growing, they still account for only a small slice of these companies' total revenue.

For now, these are still vital, cash-flow-heavy businesses. However, you have to keep your expectations in check. Those massive 'windfall' profits you see from time to time rarely last forever, mostly because of shifting government policies and the competitive nature of the industry.

It's about viewing them as reliable cash generators while acknowledging that the road ahead is a long, slow transition.

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How do you decide between holding structural compounders and taking cyclical commodity or energy exposures?

The reality is that these are cyclical sectors, so they aren't exactly 'buy-and-forget' stories. You have to be more active than that. The best approach is to define your return expectations right at the start; once you hit those targets, it's time to step back and reassess rather than just riding it indefinitely.

Position sizing is also everything here. You don't want to go 'all in' the moment you see an opportunity. It's much smarter to use a staggered allocation, or deploy capital in stages, and always keep some 'dry powder' (cash) ready for when the market gets volatile. In these cyclical themes, you aren't rewarded for emotional entries; you are rewarded for discipline and a steady, yet calculated approach.

Over the next 5-7 years, what are India's key drivers in natural resources? Where are investors misreading the story?

The big picture is pretty clear: India's demand for energy and infrastructure is on a structural upward climb. Whether it's power generation, the sheer amount of metal needed for construction, or the massive urban build-out happening across the country, those are your long-term engines.

Where I think people misread the story is by underestimating the cycles. It's easy to get caught up in the growth and forget that these sectors move in waves. You'll have a few years of incredible strength followed by slower phases, and that interim volatility is where most investors lose their nerve.

The energy transition is definitely happening, but it's going to be gradual and adaptive. Everyone knows the final destination, but the path to get there will shift and evolve. The key is to keep reassessing the landscape rather than getting anchored to one single, static idea of how the future will look. ☑

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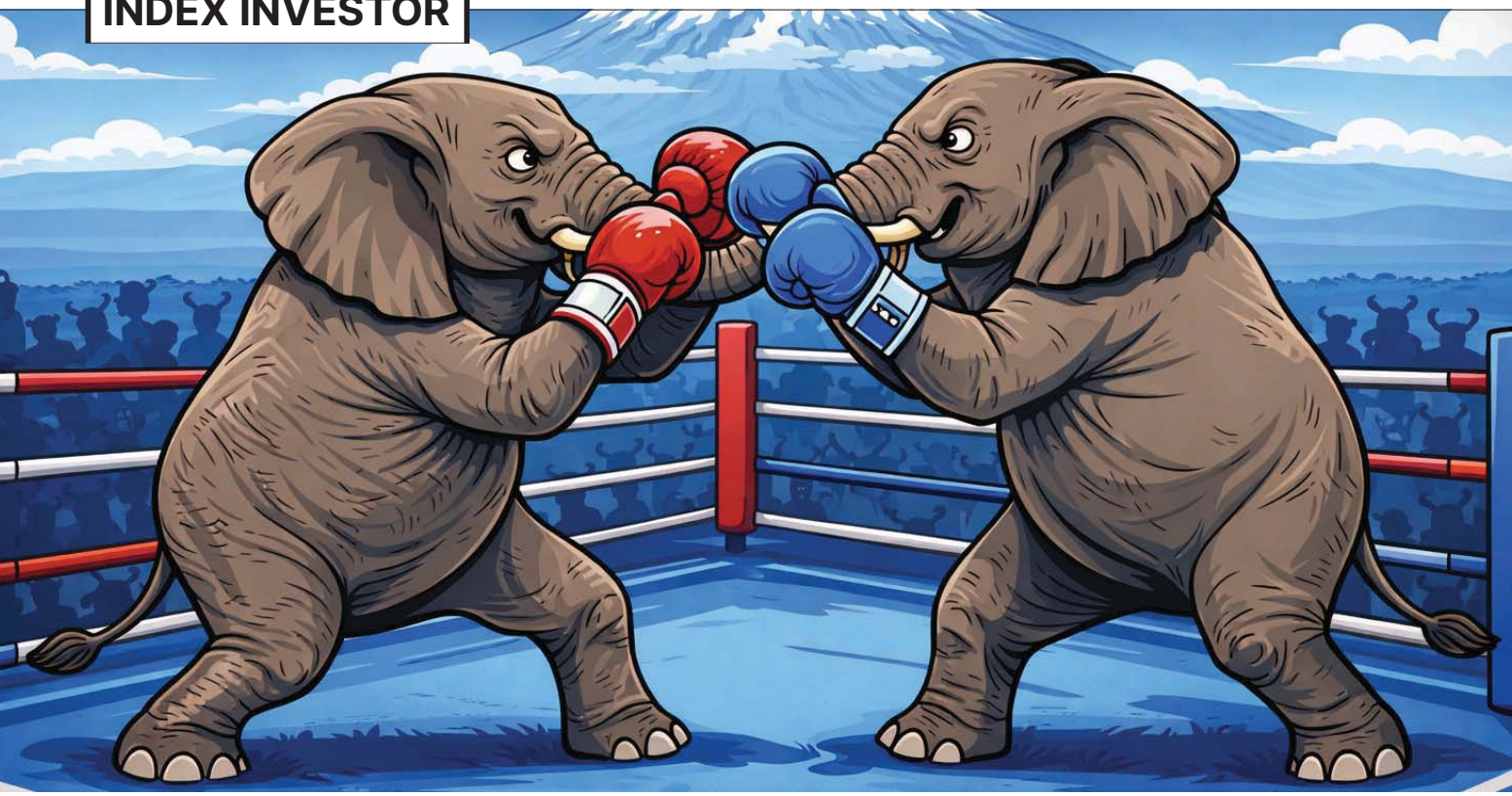

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Why stop at Nifty 50?

The case for looking at India's other large-cap index

Two indices, both made up of large-cap stocks and both drawn from India's top 100 companies. Yet over time, they have delivered meaningfully different outcomes. Anyone building a core equity portfolio usually defaults to the Nifty 50. It is the headline index that represents India's biggest, most liquid businesses that dominate their sectors. But just beneath it sits the Nifty Next 50 that contains companies ranked 51 to 100 by market capitalisation. These companies are also among India's largest listed firms.

On the surface, the two indices look similar. But their returns, volatility and portfolio construction are different enough to merit a closer comparison.

Who wins over time?

Consider their long-term performance in the 'Different finish lines' graph. In the early years, both indices move broadly together. As markets rise and fall, they appear closely aligned. But a gap opens up gradually.

The Nifty 50 edges up steadily, reflecting established leaders growing at a measured pace. The Nifty Next 50 moves more unevenly, falls harder during stress and rebounds more sharply in recoveries. The ride is visibly bumpier. Yet over two decades, it climbs more steeply, becoming the clear winner but demanding greater tolerance along the way.

This pattern is not confined to one bull market. It persists across cycles, through the global financial crisis, liquidity tightening and the post-pandemic surge. The outperformance builds gradually over time.

Stripping out timing bias

Simple price charts capture only the journey from a fixed starting point. A fairer way to judge performance is to examine daily rolling returns. So instead of asking what happened from one chosen date, we ask a more practical question: If you had invested on any day since 2002 and held for five years, what annual return would you have earned on average? The answer: 15.3 per cent for the Nifty Next 50 versus 13.4 per cent for the Nifty 50.

Over all five-year periods, the Next 50 also beat the Nifty 50 in 68 per cent of instances. More strikingly, it did not give a negative five-year return even once. Its worst five-year outcome was still marginally positive. The Nifty

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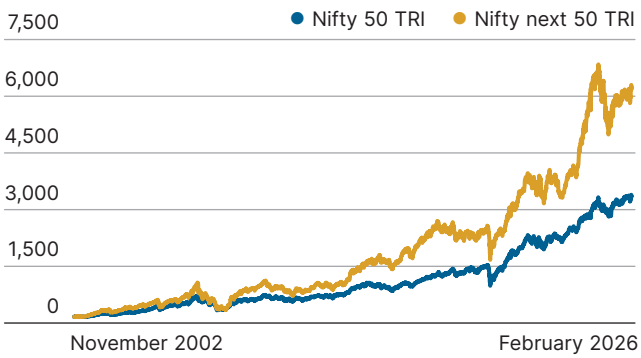
Different finish lines

Over two decades, the Nifty Next 50 compounds faster though with sharper swings along the way



Rebased to 100

50, at its weakest, slipped slightly below zero.

This is where the comparison becomes clearer. Investing is rarely about picking the single best year. It is about improving the odds over your actual holding period. On that count, history suggests the probability has tilted in favour of the Next 50 provided you stayed invested for at least five years.

What is driving the gap?

The explanation lies in what these indices own.

The Nifty 50 is heavily weighted towards Financial Services, alongside large Technology and Energy companies. These are mature, scaled franchises. They generate consistent profits. Their growth is steady, but often incremental. They already command dominant market positions.

The Nifty Next 50 has a different economic profile. Financials are present but less dominant. There is greater representation from Capital goods, Automobiles, Power, Metals and consumer-facing sectors. Many of these businesses are earlier in their growth trajectory. They are expanding capacity, gaining market share and benefiting from domestic investment cycles.

Think of it this way. The Nifty 50 largely holds incumbents. The Next 50 holds aspirants.

There is also a structural feature at play. When a company in the Next 50 grows large enough, it moves up into the Nifty 50. The index is then refreshed with the next rising firm. This built-in churn keeps the Next 50 tilted towards companies on the ascent rather than those already entrenched. Faster growth, however, rarely comes without greater swings.

Better odds, bigger swings

Nifty Next 50 gave higher returns in most five-year periods but with greater volatility

	Nifty 50	Nifty next 50
Highest return (% pa)	46.3	59.1
Lowest return (% pa)	-1.0	0.3
% of times each outperformed the other	32	68
Median return (% pa)	13.4	15.3
Volatility of returns (%)	7.5	9.0

Based on daily five-year rolling returns starting 2007

The cost of higher returns

The same rolling-return data highlights the trade-off. The volatility (standard deviation) of five-year returns for the Next 50 stands higher at 9 per cent compared to 7.5 per cent for the Nifty 50. Peak-to-trough declines reflect this volatility even better. On average, the Nifty 50 has fallen about 5 per cent while the Next 50 has dropped closer to 9 per cent from their respective highs. At the lowest point since November 2002, the Nifty 50 fell 59 per cent from its peak. The Next 50 fell 72 per cent.

Deeper declines like these are not abstract. They test investor patience, create doubt and prompt untimely exits. The higher long-term returns of the Next 50 have historically been the reward for enduring that discomfort.

Which index should you own?

For investors, the takeaway is not that one index is superior in all circumstances. It is that they serve different roles within the same large-cap universe.

The Nifty 50 offers relative stability within equities. It represents scale, liquidity and established leadership. It may suit investors who prioritise smoother performance or who are closer to their financial goals.

The Nifty Next 50 offers exposure to the next rung of large Indian corporates. It has historically delivered higher long-term returns and a greater probability of stronger five-year outcomes, albeit with sharper interim declines.

Many investors may still benefit from blending the two, combining stability with growth potential. Younger investors with long-time horizons and steady income streams may lean more towards the Next 50. Those seeking to moderate volatility may tilt towards Nifty 50.

Both offer exposure to India's top 100 companies. What matters is whether you value growth or a sound sleep. ☑

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The ETF blind spot

How price-NAV gaps can erode your returns

It is safe to say that passive investors have found their favourite investing vehicle. Nearly 78 per cent of passive equity AUM now sits in exchange-traded funds or ETFs, with index funds holding the rest. Within ETFs, large-cap funds dominate, accounting for roughly ₹6.6 lakh crore in assets. The appeal is obvious: ETFs are low cost, transparent and easy to trade.

But there is one cost that does not show up on fact sheets and is often overlooked: the risk of buying ETFs at a premium.

Unlike the expense ratio, this cost is invisible. To see how it creeps in, we need to look at how ETFs are priced in the market. And that in turn depends on one crucial factor: liquidity.

Aditya Roy/AI-generated image

Some ETFs are harder to buy and sell

ETFs may dominate passive assets but trading activity is far from evenly distributed. Some categories see steady buying and selling every day. Others barely trade. The table 'Where the action is' shows the five most actively traded ETF categories over the past three years.

At the other end are quieter corners of the market. And four of the five least active categories are interestingly thematic (see the table 'Lesser active corners'). They also have fewer ETFs. Thus, they are small, specialised pockets of the market with limited trading interest.

Why does this matter? Because liquidity is what keeps an ETF's market price anchored to its underlying value. When trading is thin or supply is restricted, prices can drift away from NAV (net asset value). And that is where the hidden cost comes from.

What a price and NAV gap lead to

Every ETF has two numbers. First, the net asset value or NAV, which is the fair value of the underlying asset or index. Second is the market price at which the ETF trades on the exchange.

Where the action is

Top five ETF categories by average daily trading volume over the past three years

Category	Average daily trading volume (in ₹ cr)	Number of ETFs
Thematic: PSU	8.2	5
Small cap	4.1	6
International	2.9	6
Large cap	2.6	69
Sectoral: Banking	2.6	27

Data as of February 16, 2026 for equity ETFs only

Lesser active corners

Bottom five ETF categories by average daily trading volume over the past three years

Category	Average daily trading volume (in ₹ cr)	Number of ETFs
Thematic: ESG	0.1	1
Thematic: MNC	0.1	2
Thematic: Manufacturing	0.2	3
Multi cap	0.3	2
Thematic: Consumption	0.3	6

Data as of February 16, 2026 for equity ETFs only

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Where high premiums and discounts are most common

Global ETFs saw over 5 per cent price gaps far more often than domestic funds in last three years

Category	Percentage of trading days premium/discount exceeded 5%	Highest one-day premium (%)	Highest one-day discount (%)	Average premium/ discount (%)
International	44.6	30.3	-7.4	6.7
Mid cap	0.9	22.1	-4.5	0.2
Thematic: ESG	0.7	7.8	-9.0	0.1
Flexi cap	0.5	20.7	-1.8	0.2
Large cap	0.2	18.7	-11.8	0.1

Data as of February 16, 2026. Analysis based on equity ETFs. Categories ranked by the highest share of trading days with premium or discount exceeding 5 per cent over the past three years.

Ideally, the two should be nearly identical. Market makers and arbitrageurs usually ensure that. But gaps still often emerge.

At times, ETFs trade above their NAV (at a premium) or below it (at a discount). When this gap widens significantly, investors can unknowingly overpay or sell for less than the underlying asset or index is worth. And this directly affects what you earn, especially if one is buying at a premium.

How a premium eats into your return

Suppose an ETF whose NAV is ₹100, but strong demand has pushed its market price to ₹105. You buy it at ₹105, effectively paying a 5 per cent premium. Over the next year, the underlying index rises 10 per cent. The NAV moves from ₹100 to ₹110.

But premiums rarely last forever. In most cases, as trading normalises, the ETF's market price drifts back towards its NAV.

So, if by the time you sell, the premium fades and the ETF trades close to its NAV, you exit at ₹110. That is a ₹5 gain, or roughly a 5 per cent return, while the index delivered a 10 per cent return. You earn only half of that.

That is the hidden cost. It does not look like a fee. But once the premium disappears, the damage to your return is already done. The next natural question then is: Which ETFs tend to see such price gaps most often?

Where premiums and discounts show up the most

For that, we looked at all equity ETF categories over the past three years and calculated how often the average ETF in each traded at a premium or discount of over 5 per cent, large enough to materially affect returns.

We then identified the categories where such large deviations occurred most frequently.

- For most domestic categories such as large-cap, flexi-cap and mid-cap ETFs, instances where price moved more than 5 per cent away from NAV were extremely few.
- But the average international ETF traded at a premium or discount of over 5 per cent on nearly 45 per cent of trading days (see the table 'Where high premiums and discounts are most common').

The reason is RBI's overall overseas investment limit of $1 billion in international ETFs. When it is breached, fund houses cannot create fresh units in global ETFs and demand thus outstrips supply, leading to premiums. Discounts emerge when selling pressure outweighs demand, especially in thinly traded ETFs.

In short, for most domestic equity ETFs, large premiums or discounts have been rare. But in international ETFs, they have been frequent enough to warrant caution.

How to avoid paying the wrong price

A few basic checks can keep you from overpaying or exiting below fair value.

- Check the iNAV (indicative net asset value) before placing your order. This gives a live indicative NAV during market hours.
- Avoid market orders in thinly traded ETFs and use limit orders so you control the price you pay.
- Be especially cautious with international ETFs where large deviations are more frequent.

ETFs remain an efficient, low-cost way to gain market exposure. But their low costs cannot compensate for overpaying at entry. Before you click 'buy', take a moment to check what you are really paying for. ☑

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The question nobody asks

Why the duration of a company's edge matters more than the edge itself

By
Dhirendra Kumar

A friend of mine, a senior partner at a consulting firm, recently spent the better part of an evening explaining to me why he'd bought shares in a company that, by most conventional measures, looked quite expensive. The stock was trading at a price-to-earnings multiple that would make a traditional value investor wince. "But look at their moat," he said, with the confidence of someone who'd done his homework. "Dominant market share, brand loyalty, pricing power. Textbook quality."

I didn't disagree with any of it. But I asked him a question he hadn't considered: "For how long?" He paused. "Sorry?" "For how long will they have that moat? 10 years? 20? Five?" He admitted he hadn't really thought about it in those terms. He'd established that the competitive advantage existed. He hadn't asked how long it would last. This, in my experience, is the question that separates genuinely sophisticated investment analysis from the kind that merely sounds sophisticated. Most investors, even careful, well-read ones, evaluate companies as if their advantages were permanent features of the landscape. They are not. Every competitive edge decays. The question is how quickly.

There is a formal name for this concept in investment theory: the Competitive Advantage Period, or CAP. It refers to the length of time over which a company can be expected to earn returns above its cost of capital, or in plain English, the period during which the business is genuinely exceptional rather than merely average. After this period, competitive forces do their work. New entrants arrive, technology disrupts, customers defect, margins compress. The company becomes ordinary.

The intellectual roots go back to Modigliani and Miller's insight in the 1950s and early 60s that firm value depends on future investment opportunities as well as assets already in place. Later valuation research translated this into what practitioners now call the 'Competitive Advantage Period'. Several valuation studies in the 1990s found that a large portion of market gains could not be explained by earnings growth or interest rates alone, suggesting that investors were extending their expectations about how long exceptional companies could sustain excess returns. What they had stumbled upon, without fully recognising it, was the market's tendency to extend its estimate of how long great companies would remain great. When investors collectively decide that a business's competitive advantage will last 20 years rather than 10, the stock re-rates dramatically, even if the company's near-term earnings don't change at all.

Think of what this means in practice. Two companies might have identical profits today. One operates in a stable industry with high barriers to entry, loyal customers and a business model that is genuinely hard to replicate. The other operates in a fast-moving sector where today's advantage can evaporate in three years. A sensible investor should pay significantly more for the first company than the second, not because of anything visible in the current accounts, but because of the invisible dimension of durability.

Most retail investors never think about this. They read the balance sheet. They check the P/E ratio. They might even assess competitive position. But they rarely ask: How long will this last? That omission is costly in both directions. It leads investors to overpay for companies whose advantages are narrower than they appear, and to undervalue businesses whose earnings, though modest today, will compound quietly for two decades.

The complication, of course, is that answering this question properly is genuinely hard. It requires an

> When investors decide that a business's competitive advantage will last 20 years rather than 10, its stock re-rates, even if earnings don't change.

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Illustration: ANAND

in-depth understanding of industry structure – the nature of customer lock-in, the pace of technological change, the height of barriers to entry and the quality and integrity of management. It requires tracking regulatory developments, monitoring competitive behaviour and staying alert to early signs that a moat is beginning to erode. A single company studied in isolation is demanding enough. A diversified portfolio of 20 or more needs something close to a full-time research operation.

This is what we built at **Value Research Stock Advisor**, though we wouldn't necessarily have put it in those terms until I sat down with this research recently. When our team evaluates a company, we are not simply asking whether it is good. We are inquiring about its durability. The distinction shapes everything: which companies make it into our portfolios, which we hold through turbulence and which we exit when we detect that their competitive position has begun to soften.

Our three portfolios, **Long-term Growth, Aggressive Growth** and **Dividend Growth,** are each built around this discipline and calibrated for different investor temperaments. The Long-term Growth Portfolio focuses on businesses with deep competitive advantages that tend to sustain themselves over long periods: strong balance sheets, proven management, consistent compounding.

The Aggressive Growth Portfolio seeks companies in which we believe the market has underestimated the duration of the growth runway – higher risk, but significant reward potential if the assessment is correct.

The Dividend Growth Portfolio favours businesses with mature, entrenched positions that translate their durable advantages into reliable cash returns to shareholders.

What ties all three together is the underlying research process. Each month, our team reviews each portfolio not merely to confirm that the companies remain profitable, but also to reassess whether their competitive positions remain intact. When we see early signs of decline – a new competitor gaining traction, a regulatory shift, management decisions that suggest short-term thinking – we try to act before the market catches on. When we are convinced that a company's advantage is strengthening and likely to persist longer than consensus assumes, we hold our nerve through the volatility that inevitably tests investors along the way.

This is the kind of research that is genuinely difficult for individuals to replicate. It's not about intelligence or diligence — I know many smart, hard-working investors who struggle precisely because they lack the time and resources to go this deep across their full portfolios. They can read an annual report, but they cannot track 20 companies simultaneously while remaining current with the industries in which each operates. Besides, of course, leading their normal working lives.

At ₹9,990 per year, Stock Advisor puts this professional-grade analysis within reach of any serious investor. You choose the portfolio that matches your goals, invest systematically and receive guidance, including timely alerts when stocks need to be trimmed or exited, from a team that is asking, every month, not just if your companies are good, but how long they will stay that way.

My consulting friend took the question seriously. He went back and did the work of thinking through durability, not just quality. But most investors won't, because they don't know what to ask. That's what we're here for. ☑

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Signs of maturity

FY26 has delivered solid profit growth but momentum has clearly cooled

By
Ashish Menon

Every earnings season tempts investors into making a binary judgement: strong or weak, accelerating or slowing, buy or beware. Nine months into FY26, corporate India does not fit neatly into either camp.

On the surface, the numbers are reassuring. Aggregate profit of the top 1,000 companies is up 14 per cent yearly for nine months ending December 2025. The median company has grown profits by around 12 per cent. Even after excluding the top 10 contributors, average profit growth stands at almost 16 per cent. This is not an earnings story driven by a handful of heavyweights. Breadth exists.

Yet, the trajectory over the year tells a more nuanced story. Profit growth in Q1 was around 17 per cent year-on-year. In Q3, this slowed to nearly 10 per cent and sequentially, barely half the companies reported any growth whatsoever. The cycle is not breaking, but clearly cooling. One must also acknowledge the impact of the new labour code in Q3. For many companies, this meant a one-time accounting adjustment and an immediate compression in margins and profits. Q3 was, therefore, a noisy quarter that exaggerates the slowdown.

But even after adjusting for this distortion, momentum has moderated. The easy phase of operating leverage is behind us.

Broad participation, uneven profit pools

Looking across market-cap buckets clarifies the distinction between participation and power.

The top 100 companies grew their nine-month profits by nearly 12 per cent. Mid caps put up a stronger show at close to 25 per cent, though slower than in the first half. Small caps trailed at 11.5 per cent as Q3 profit dipped. Micro caps were the most volatile, posting an 84 per cent surge in Q3 after weakness earlier in the year.

This reflects the trend in the overall profit pool in each category, likely influenced by a few contributors. That is why mid caps seem far stronger and micro caps far more erratic.

But the median figures tell a calmer story. Large caps, small caps and micro caps show around 11 per cent median growth each, while it is nearly 13 per cent for mid caps. Across segments, roughly 60 to 74 per cent of companies have delivered positive profit growth. In other words, the typical company, whether large or small, is still expanding earnings. However, the gap in aggregate growth between categories only reflects concentration, not weakness in the typical business.

Margin drop tells a different story

Revenue growth was healthy across categories. Large caps grew their nine-month revenue by 8 per cent, mid caps by around 11 per cent, small caps by nearly 15 per cent and micro caps by 34 per cent. Profit growth however was increasingly sensitive to margins.

Operating margins eased from 23 per cent a year ago to 21 per cent for large caps. They were down from around 25 per cent to 22.5 per cent for mid caps. For micro caps, they were down to nearly 10 per cent in Q3

Speed bump alert

Growth has moderated in both quarterly and year-to-date numbers

	Q1 FY26	H1 FY26	9M FY26
Profit growth (% YoY)	16.6	16.5	14.1
% of companies with positive profit growth	63.1	64.4	63.8

	Q1 FY26	Q2 FY26	Q3 FY26
Profit growth (% YoY)	16.6	16.5	9.8
% of companies with positive profit growth	63.1	62.9	61.2

Top 1,000 companies by market capitalisation considered. Twelve companies whose results were unannounced at the time of analysis were excluded.

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from around 14 per cent in the first quarter of last year.

Part of this reflects the labour code reset. But the drift began long before. The margin peak appears to be behind us. This matters because much of the earnings acceleration over the past two years came from operating leverage and cost control. With margins stabilising or compressing, future profit growth will need stronger topline momentum rather than accounting tailwinds.

A narrow sector engine

Energy and utilities made up 37 per cent of the incremental profits in the nine months of FY26. Financials contributed 35 per cent. Materials added 19 per cent. Together, these industries explain the bulk of aggregate profit growth.

Technology profits, by contrast, grew only 1.7 per cent, with just 53 per cent reporting an increase. Consumer discretionary companies saw a profit decline. Healthcare and Industrials grew moderately without driving the aggregate.

The earnings cycle was therefore, broad across companies but concentrated sectorally.

Base effect versus structural growth

Yearly profit growth of the top contributors is flattering due to a low base. Energy profits rose almost 33 per cent in the nine months of FY26, while Materials' profits grew 24 per cent. But when compared to two years ago, Energy profits are slightly down by 0.3 per cent. Materials have moderated, too. By contrast, Financials grew their profits by 14 per cent and Technology by around 22 per cent. Industrials and Healthcare also reclaim their glory on a two-year comparison.

This distinction is crucial. Single-year growth driven by base effect or price cycles is not the same as structural earnings expansion.

Illustration: ANAND

What this means for investors

At the nine-month mark, FY26 remains a respectable earnings year with material growth and category participation across the board. And yet the broader trend of moderation stands even after taking into account the labour code distortion in Q3.

Profit growth has slowed from the pace seen in the first half. Margins have cooled from last year's peaks. Sector leadership is concentrated in Energy, Financials and Materials.

The earnings cycle is not ending but certainly maturing. For retail investors, this is not the time to retreat but to discriminate. In a phase where margin expansion is no longer automatic and sector leadership is narrow, stock selection matters more than just aggregate growth numbers. ☑

Ashish Menon is a Chartered Accountant (CA), a CFA charterholder and Senior Equity Analyst at Value Research Stock Advisor

Few sectors dominate the profit pie

Energy, Financials and Materials companies have led the contribution

Sector	Energy & Utilities	Financials	Materials	Industrials	Healthcare	Consumer staples	Technology	Real estate	Diversified	Consumer discretionary
Share in 9M FY26 profits (%)	37.0	35.2	19.2	4.7	2.2	1.8	1.2	1.0	0.2	-2.6
Market share (%)	11.8	25.8	12.2	11.8	6.3	6.7	11.8	1.5	0.6	11.6

Data set same as the table on the first page

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The temperature check

Why your portfolio needs a thermostat, not a thermometer

By
Ranjit Bhatia

It was 3 AM when Rahul checked his portfolio for the seventh time that day. The Indian markets had closed hours ago, but the US markets were open, and his tech-heavy portfolio was down another 2 per cent. He had already moved 15 per cent to cash that afternoon. Should he move more? By morning, he had changed his mind multiple times.

A few weeks later, those same holdings had recovered. But Rahul's portfolio lagged; he had locked in losses and missed the rebound. His problem wasn't that he was measuring his portfolio's temperature. It was that he had no thermostat.

The thermometer trap

How many times last week did you check your portfolio? If you are like most investors, probably more often than you would admit. We have become obsessed with taking our portfolio's temperature, tracking daily swings, refreshing apps, watching every tick.

But here's the paradox: the more you measure, the worse you tend to perform.

Constant monitoring creates an illusion of control. Each check feels responsible. In reality, it exposes us to noise. Daily swings are mostly meaningless, yet our brains treat every dip as danger and every spike as opportunity. Loss aversion kicks in. FOMO follows.

That is why the average equity investor underperforms the market, not because they pick terrible funds, but because they buy when markets feel safe and sell when fear takes over. A study by Axis Mutual Fund found that from 2003-2022, the average investor underperformed the average equity fund by over 5.3 per cent annually. Consider March 2020. The Nifty plunged more than 30 per cent in a month. Every login felt like a psychological assault. Many investors sold simply because doing nothing felt unbearable. The temperature reading was too frightening to ignore.

But those who exited near the bottom missed what came next, one of the sharpest recoveries in market history. By December 2020, the Nifty hit new highs. By March of next year, it stood at around 15,300.

The thermometer told them the temperature. It didn't tell them what to do about it.

The thermostat solution

Think about your home's air conditioner. You don't walk around with a thermometer checking every room hourly, manually adjusting the temperature each time you feel a little hot. You set a thermostat to keep the ideal temperature between 20 and 22 degrees.

Your portfolio needs the same thing: a thermostat, not a thermometer.

A portfolio thermostat has three components:

1. **A target allocation:** The desired temperature range. That might be 60 per cent equity, 30 per cent debt, 10 per cent commodities for an investor, depending on their risk appetite.
2. **Rebalancing bands:** An acceptable deviation before action is needed to bring your portfolio back to target. Say, equity markets rallied, and the 60 per cent target became 65 per cent. It would be prudent to rebalance half-way back to target to be in proximity to the desired allocation.
3. **Automatic triggers:** Rules that execute without emotion. When equity drifts outside its band, you rebalance back to the above desired allocation. No panic, no prediction made, just simple math.

When discipline beats prediction

Here's the mathematical beauty of a thermostat:

> Constant monitoring creates an illusion of control. In reality, it exposes us to noise. Loss aversion kicks in. That's why the average equity investor underperforms the market.

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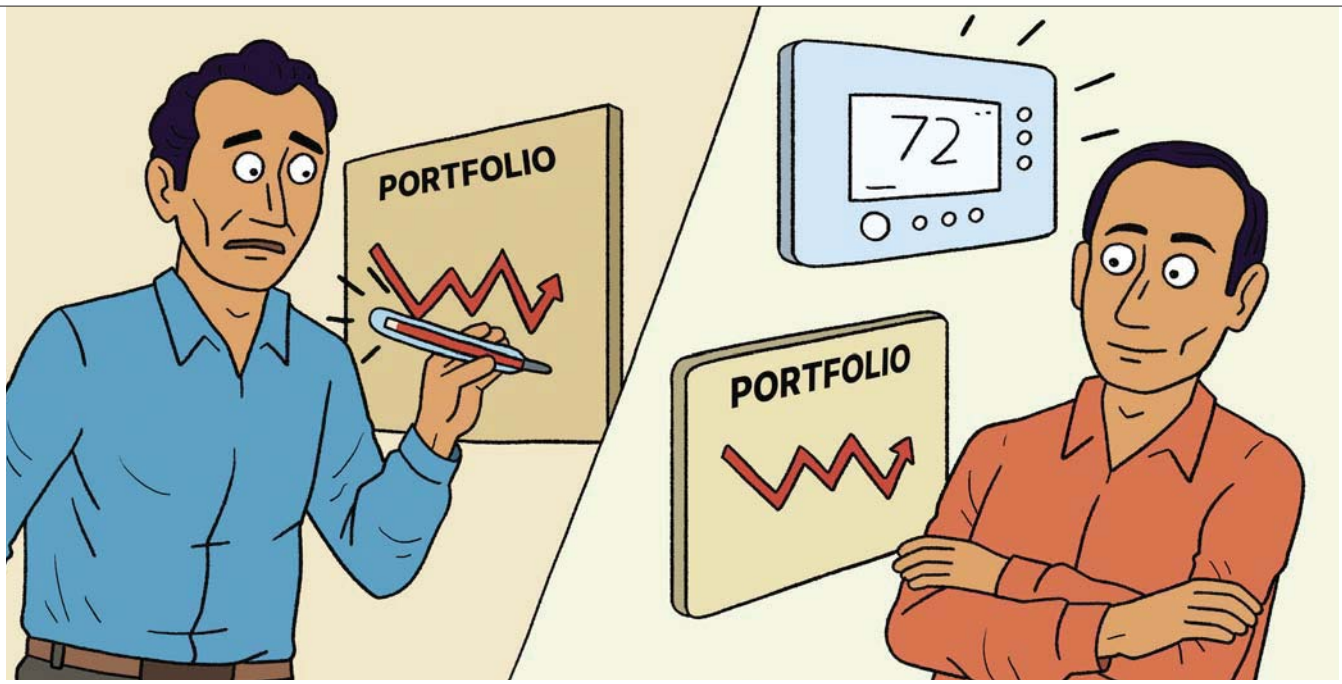

Illustration: ANAND

rebalancing forces you to do what every investor knows they should do but rarely end up doing – buy low and sell high. Not because you are smart and know how to time the market, but because you are systematic. The thermostat helps remove ego and emotion from the equation. It doesn't require you to be right about the future, a fallacy that most investors don't understand. But it helps be disciplined about the present.

A good example would be the small-cap rally in 2023. The Nifty Small Cap 250 index rallied over 47 per cent that year, followed by 26 per cent in 2024. Retail investors piled in, and many portfolios shifted from their original allocation if they didn't rebalance. Those without systematic rebalancing were now sitting on unintended concentrated small-cap bets, exposed to the extreme swings in volatility in the asset class.

A thermostat approach would have trimmed small caps as they exceeded a predefined limit, booking profits, and reallocating those to underweight sections of the portfolio. This would have helped contain concentration risk in the portfolio and hence helped them save capital when small caps eventually underperformed, as they did in 2025.

The psychology behind the thermostat solution

The thermostat isn't just about better returns, though the evidence is there that you get them. It's about peace of mind. It's about going to bed without checking your portfolio at midnight. It's about staying invested through volatility because you trust your system more than your emotions.

Rebalancing removes decision fatigue. The rules are already set in advance. It eliminates timing anxiety, as you need to be correct twice when timing the market–when to sell and then when to buy, or vice versa. Rebalancing creates accountability as it becomes hard to deviate from your own predetermined rules. It helps shift your focus from daily noise to long-term happiness. It helps shade your portfolio from emotional biases. The thermostat doesn't fight these biases; it just makes them irrelevant in the long run.

Do you have a thermometer or thermostat?

If you checked your portfolio yesterday and today, felt a flutter of anxiety at the numbers you saw, and wondered if you should do something, then you definitely have a thermometer.

On the other hand, if you have target allocations, rebalancing bands and rules you follow regardless of market fluctuations, you have a thermostat.

If you fall into the former, the good news is that you can set up your thermostat this weekend itself. It's a DIY approach–define your allocation, set your bands and commit to quarterly reviews to adjust it. Once you do, you'll wonder why you spent so much time obsessing over your portfolio's temperature. Because in the end, investing isn't about reading the temperature perfectly. It's about setting the thermostat wisely and then let math do what it was designed to do. ☑

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Why space is interesting for data centres

As AI pushes Earth's limits, orbital data centres are emerging as a viable solution to meet the world's exploding compute needs

By
Anand Tandon

The global frenzy surrounding generative AI has, until now, been largely viewed through the lens of software and chips. But for the serious investor, the real story is shifting toward the massive, often insurmountable physical infrastructure required to sustain it. As we look at the constraints mounting on Earth, a concept previously relegated to science fiction is gaining institutional legitimacy: moving data centres into space. Scan the QR code to listen to the possibilities and challenges from one of the key proponents – Elon Musk.

Watch video

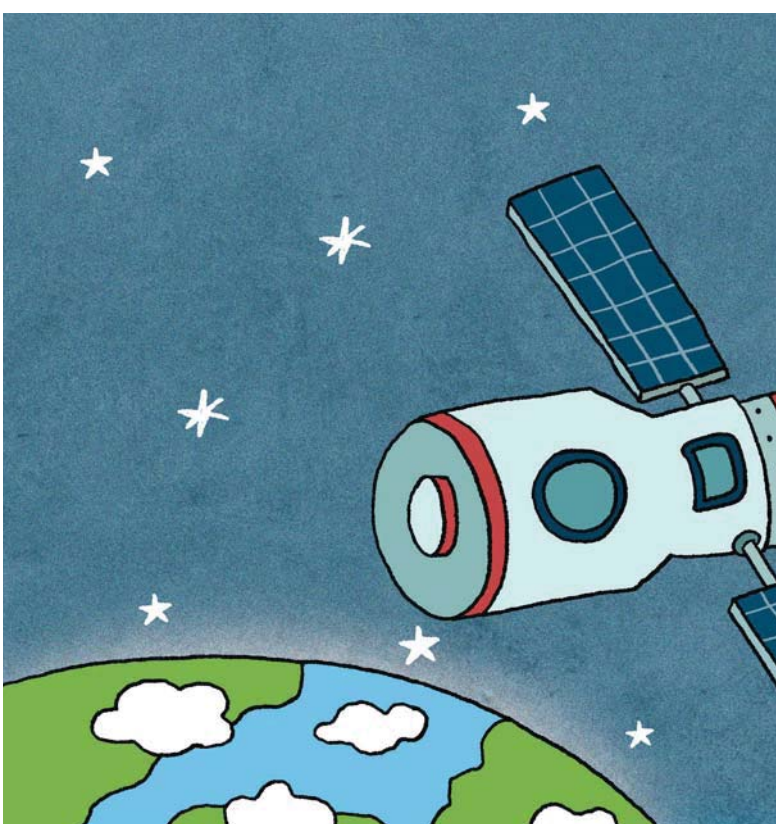
The 'orbital/space data centre' (SDC) sits at the intersection of three converging trends: surging AI power demand, tightening land and water constraints on Earth and the precipitous fall of launch costs. Over the next decade, this transition will move from a thought experiment to a niche but commercially meaningful reality.

The terrestrial wall: Why Earth is getting too small

The current trajectory of AI development is hitting a physical 'wall' composed of two primary elements: Power and Water.

Goldman Sachs Research estimates that global data centre power demand will grow by 175 per cent by 2030 compared to 2023 levels. This is equivalent to adding the power consumption of a top-10 global economy to the grid in less than a decade. In the United States, data centre demand is expected to accelerate power growth to levels not seen since the 1990s, potentially accounting for 11 per cent of total US demand by 2030.

While power is the most discussed constraint, water is the underappreciated bottleneck. AI data centres are projected to drive an 11 times increase in annual water consumption for cooling and electricity generation by 2028, reaching approximately 1,068 billion litres. Water stress is a localised, non-fungible risk. Over half of the world's leading data centre hubs, including Mumbai, are located in regions facing 'medium basin physical risk'. In many jurisdictions, authorities are already rejecting data centre projects



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due to their excessive thirst, creating a 'zero-sum' game between technology and local survival.

The orbital arbitrage: Structural advantages of space

Moving AI infrastructure into orbit offers three structural advantages that Earth simply cannot match:

Unlimited solar energy: Above the atmosphere, solar irradiance is approximately 30 per cent higher. In specific high-inclination or sun-synchronous orbits (SSO), a solar array can yield more kWh per installed watt than on the ground, without atmospheric interference, weather intermittency, or the 12-hour night-time blackout. A satellite can access nearly 98 per cent sunlight fraction, providing a consistent, clean power source that sidesteps the nightmares of terrestrial nuclear or gas plants.

The ultimate heat sink: On Earth, cooling forms a large portion of a data centre's power usage effectiveness (PUE). Terrestrial sites often operate at a PUE of 1.5-1.6. In the vacuum of space, all heat must be rejected via radiation. While this needs significant radiator mass, it eliminates need for chillers, cooling towers and billions of litres of water. Properly designed orbital clusters could achieve a PUE as low as 1.17.

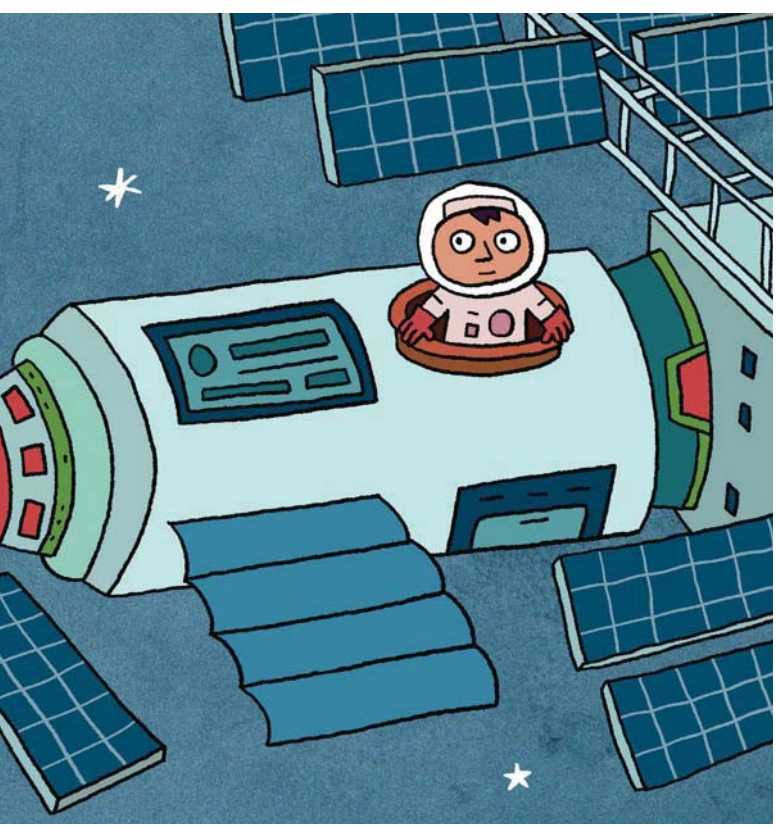

Illustration: ANAND

Zero land and regulatory friction: SDCs bypass land acquisition costs, 'NIMBY' (Not In My Backyard) opposition and local zoning battles. This offers energy independence from fragile or politicised grids and grants operators strategic leverage over a scarce, high-end capability terawatt-scale AI training that competitors cannot easily replicate.

The cold equations: Deployment costs compared

For the investor, the 'orbital thesis' hinges on the narrowing gap between terrestrial and space-based capital expenditure.

According to Deutsche Bank's deployment models, the current cost of deploying a 1 GW space data centre is approximately 7.2 times that of a terrestrial equivalent. A 1 GW facility in orbit is estimated to cost roughly $114 billion, compared to $16 billion on land. This delta is dominated by the 'launch tax' and the mass of the radiators required for thermal management.

However, the trendline is what matters. This cost multiplier is expected to collapse as follows:

- Current/Near-term: 7.2 times higher than terrestrial
- Late 2020s: 4 times higher
- Early 2030s: 1.5 times higher
- Optimised scenario: Close parity (1.2x)

This reduction is almost entirely driven by the 'Starship effect'. The success of fully reusable, heavy-lift launch vehicles is expected to drive the cost to Low-Earth Orbit (LEO) from roughly $1,600 per kilogram today to as low as $67-100 per kilogram by 2032. Once launch costs fall below the $100 per kilogram threshold, the physics-constrained models suggest that the Total Cost of Ownership (TCO) for orbital sites could be 60-70 per cent lower than for terrestrial sites in the most optimistic scenarios, due to the near-zero marginal cost of energy.

Engineering constraints: The harsh reality of orbit

While the economics are becoming attractive, space remains a hostile environment for delicate server hardware. Investors must weigh four critical constraints:

Hardware failure and maintenance: A terrestrial server farm allows a technician to swap a failed GPU in minutes. In space, maintenance is currently impossible. Deutsche Bank assumes a GPU failure rate of 8 per cent to 10 per cent per year due to

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radiation and thermal cycling. Once a satellite's hardware degrades, the entire unit must be de-orbited and replaced. This necessitates a 'disposable hardware' model, which requires high-volume, low-cost satellite manufacturing.

Thermal management and radiation: Standard Nvidia H100s are designed for air or liquid immersion cooling. In a vacuum, they would melt instantly. The next decade will require a total redesign of AI silicon or the design of custom chips specifically for radiative cooling and radiation hardening.

Latency and bandwidth: While LEO constellations like Starlink have proven that low-latency data transmission is possible, SDCs will not compete with terrestrial fibre for real-time applications (Inference). Instead, the first 10 years of orbital compute will focus on 'Batch Processing' and 'AI Training' – workloads that are power-hungry but not latency-sensitive.

Orbital debris and sustainability: Launching gigawatt-scale clusters creates significant orbital 'real estate' issues. Managing the end-of-life de-orbiting of thousands of server satellites will be a regulatory as welll as an environmental requirement that will add to operational costs.

How realistic is the 10-year horizon?

Is it realistic to expect 1 GW of orbital compute by 2035? The consensus from institutional research suggests it is plausible, but contingent on the scaling of heavy-lift launch.

The first half of the 2020s will likely be characterised by experimental 'V3' and 'V4' satellite versions, or clusters of a few megawatts used to prove that high-density AI training can survive the orbital environment. By the early 2030s, as launch capacity reaches commodity levels, we expect to see the first 'sovereign' or 'hyperscale' orbital clusters.

The primary risk to this timeline isn't just technological; it's the terrestrial response. If Earth-based power becomes significantly cheaper or more widely available through the rapid deployment of Small Modular Reactors (SMRs) or breakthroughs in deep-earth geothermal energy, the economic arbitrage of moving to space may diminish. Goldman Sachs notes that hyperscalers are already pivoting toward nuclear power for long-term energy needs. Space data centres must outpace the 'terrestrial nuclear renaissance' to remain competitive.

> Data centre hubs are under immense strain. In India, Mumbai's 'medium water risk' status is a warning sign. As a nation with a robust space program and a growing private space sector, India can try to be a part of SDC supply chain.

A strategic imperative

For investors, this trend has profound implications. Data centre hubs are already under immense strain. In India, Mumbai's 'medium water risk' status is a warning sign. As a nation with a robust space program (ISRO) and a burgeoning private space sector, India can attempt to participate in the SDC supply chain.

Supply chain exposure: The move to space requires advanced thermal management and specialty materials. Companies involved in liquid cooling, advanced radiators, and high-efficiency solar cells are the 'picks and shovels' of this transition.

Grid relief: If global 'Big Tech' players move even 15 per cent of their massive training workloads to orbit by the 2030s, it would alleviate the strain on energy grids, freeing up terrestrial capacity for local economic growth and consumer needs.

Strategic sovereignty: Data residency and energy independence are becoming national security issues. An orbital data centre offers a 'sovereign cloud' that is physically removed from terrestrial borders and less vulnerable to localised grid failures or geopolitical interference.

The investor's verdict

The move to space data centres is a bet that the 'physics of Earth' (gravity, atmosphere, and biology) is becoming more expensive than the 'physics of orbit'.

In the short term, the 7x cost multiplier makes SDCs a niche R&D effort for the wealthiest hyperscalers. However, for the long-term investor, the 10-year outlook is clear: the convergence of $100-per-kilogram launch costs and a 175 per cent spike in terrestrial power demand makes the orbital migration inevitable.

We are entering an era in which AI is no longer a digital utility but a physical commodity. On Earth, we are fighting over every megawatt and every litre of water. In space, the sun never sets, and the cooling is as vast as the vacuum itself. The arbitrage is real; the only question is how quickly we can build the bridge to reach it. ☑

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Copper's upcoming crunch

Demand is locked in. Supply is not. And the gap is now too large to ignore.

By **Advait Arora**

'Ten million tonnes' is a number that should matter most to commodity investors. That is the copper shortfall the world is set to face by 2040. It is roughly one-third of what we consume today. And this is not a worst-case forecast. The deficit is already embedded in commitments that have moved into law. Think electric vehicle mandates across Europe and China, renewable-energy targets binding over 100 countries and trillions of dollars' worth of data-centre construction already breaking ground.

Last year's top commodity conviction was silver, supported by a 45-year base, an industrial demand shift and a supply squeeze decades in the making. This year, copper looks even more compelling because the world cannot substitute its way out of this one. Demand is effectively locked in. Supply is not. That gap is where the entire investment case begins.

The physical market is flashing red

The first warning comes from price behaviour that looks irrational until you understand what it signals. Physical copper has been trading at premiums of 20-40 per cent over futures contracts in major markets. Buyers are paying materially more for copper today than for copper delivered next month.

In commodity markets, that gap usually means one thing: availability is tighter than the official numbers suggest. The market is seeing scarcity before the data fully reflects it.

Global exchange inventories have recently climbed to one million tonnes, the highest level since 2003. That sounds reassuring until you run the math. One million tonnes equates to just 12 days of global consumption. Most industrial commodities maintain a buffer stock of 60 to 90 days. Copper is running on barely two weeks of supply.

And this does not look like temporary tightness caused by a labour strike or a port delay. The evidence points to structural scarcity that has been building for years. It is now visible in premiums, inventory dynamics and price action across every major exchange.

Electrification is rewriting demand

Global copper demand currently stands at around 26-28 million tonnes annually. By 2035, that will rise to 34 million tonnes. By 2040, it will reach 42 million tonnes. That is nearly double what the world used at the turn of the century.

The energy transition alone adds seven million tonnes of annual demand by 2040. Solar panels, wind turbines, electric grids and EVs all depend on copper for electrical conductivity. There is no substitute at scale. Engineers may optimise designs to use slightly less copper per unit, but they cannot replace it.

Electric vehicles remain the clearest driver. Each EV requires around 80 kilograms of copper, nearly four times what a conventional car needs. EV adoption is not slowing either. Sales are accelerating globally, rising 25 per cent year on year in major markets.

Then comes the variable that was barely in forecasts five years ago: AI data centres. A single large AI facility consumes 40,000-50,000 tonnes of copper for power distribution and cooling systems. AI training centres can use even more, sometimes three times the copper of traditional data facilities. By 2040, data centres alone will add 1.4 million tonnes of demand that was not included in any forecast before 2023.

Put together, the story is simple. Renewables add

> In major markets, physical copper has been trading at 20-40 per cent premiums. In commodity markets, this usually implies that the market is seeing scarcity even before the data fully reflects it.

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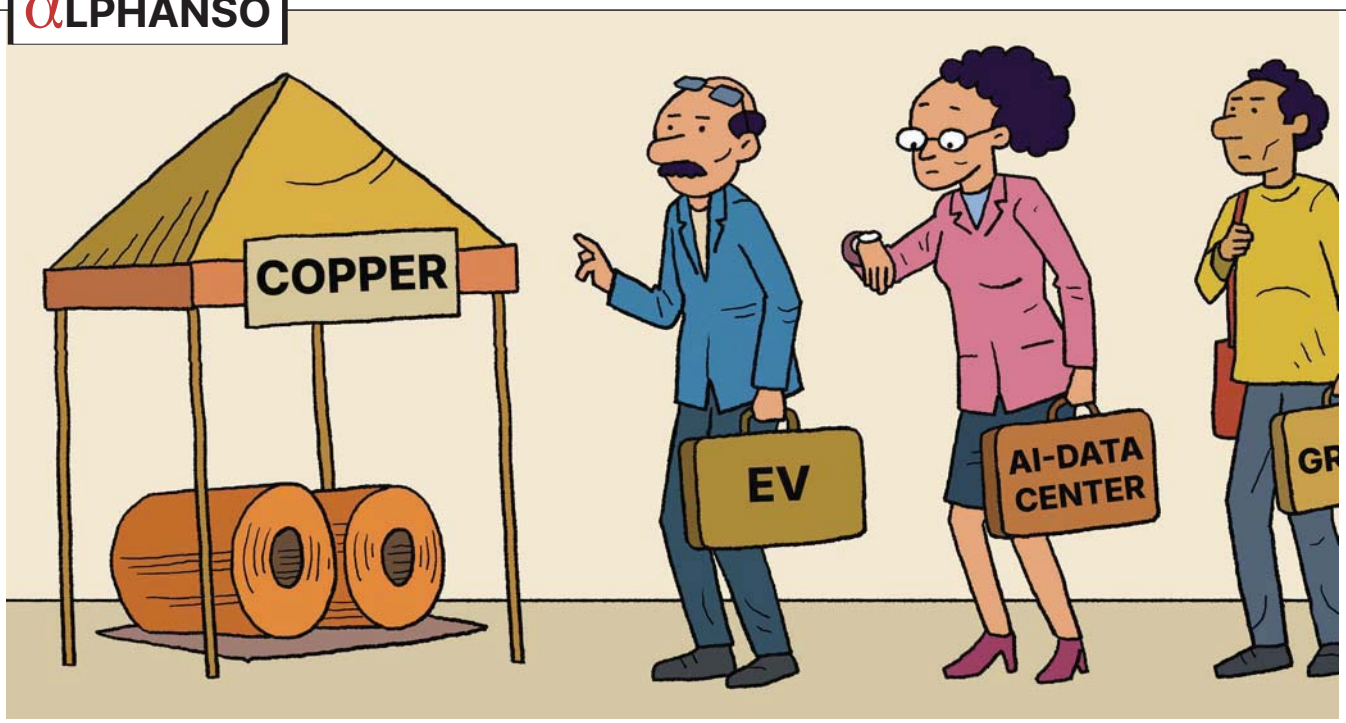

Illustration: ANAND

another couple of million tonnes over the next decade just to build solar and wind and connect the grids. EVs are on track to roughly double their copper use by 2035 as adoption scales. Meanwhile, AI and digital infrastructure demand climbs from about 1.7 million tonnes today to 4.3 million tonnes by 2035, growing at around 10 per cent annually. The world is rewiring itself, with copper doing the heavy lifting.

Supply is stuck in slow motion

While demand accelerates, supply is barely moving. Global copper production is growing at less than 1 per cent per year. That pace does not even cover baseline growth, let alone the surge driven by electrification and AI infrastructure.

The constraints are structural. Copper ore grades have collapsed from 1.2 per cent to below 0.6 per cent over the past 25 years. Miners now process twice as much rock to extract the same amount of metal. Costs rise sharply as a result. The easy copper is gone. What remains is deeper, lower quality and harder to extract profitably.

Discovery rates of large copper deposits have fallen over 70 per cent since the 1990s. New mines take 7-10 years from discovery to first production, often stretching to 18 years once permitting, environmental reviews, community negotiations and infrastructure buildout are included. A deposit discovered today is unlikely to deliver meaningful copper until the mid-2030s.

> As demand accelerates, copper supply is barely moving. Global copper production is growing at less than 1 per cent annually. Even recycling supplies only 30-32 per cent of the total copper output.

Only 8-10 major new copper projects are expected to come online globally by 2030. Yet, the industry needs to add eight million tonnes per year of new capacity by 2035 merely to meet demand growth. That requires over $210 billion in capital investment. Mining companies have invested just $76 billion over the past six years. The funding gap is large, and the timeline keeps stretching.

Even recycling supplies only 30-32 per cent of total copper output. It helps, but it cannot close a deficit measured in millions of tonnes annually.

Geography tightens the bottleneck

Supply is also concentrated. Chile and Peru together produce nearly 40 per cent of global copper, around 11 million tonnes per year. Both countries are seeing production decline despite copper prices above $13,000 per tonne.

Chile's Codelco, one of the world's largest producers, has seen ore grades fall from 1.02 per cent to 0.66 per cent in just three years. Lower grades mean higher costs, slower output and shrinking profitability even with high copper prices.

Water is another constraint. Water stress affects over 40 per cent of copper-producing regions

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globally. Copper mining requires large volumes of water for ore processing and dust control. But many major deposits sit in arid regions where water access is contested, expensive or simply unavailable. Without water, ore cannot be processed. Without processing, mining stops.

Permitting delays, community opposition and environmental regulation add years to every new project. Higher copper prices may encourage investment, but they cannot overcome geological limits, water scarcity or the reality that new supply takes a decade or longer to arrive.

Copper is not a metal that the world can postpone

Silver and gold function within a flexible demand framework. Jewellery purchases can be deferred. Their industrial applications are important: silver in solar panels and electronics, and gold in high-end connectors and medical devices. But substitutes, thrift, and recycling offer buffers when supply tightens. The market adjusts and consumption can shift without disrupting essential systems.Copper operates differently. There is no scalable substitute for efficiently transmitting electricity across modern infrastructure. Power grids, EV charging networks, renewable energy projects and data centres all rely heavily on it.

When copper supply falls short, consequences are immediate. Grid reliability weakens, charging rollouts slow, data centres curb expansion and infrastructure timelines slip. Unlike precious metals, copper cannot be postponed without tangible economic costs.

The supply gap is widening. By 2026, refined copper deficits are projected at 1.5-3.3 lakh tonnes. By 2040, annual shortages could reach 10 million tonnes, roughly one-third of current global demand. Yet it is still priced as a cyclical metal, not a structural bottleneck.

Conviction comes from what cannot be ignored

True conviction is not built on a bold forecast or a striking chart. It comes from recognising structural shifts, understanding timelines that cannot be shortened and seeing when the numbers stop adding up. Copper's discovery cycle now stretches to nearly 18 years, while demand is being locked in through electrification policies and infrastructure plans across major economies. Governments are committing capital without securing an adequate future supply. The information is public and the constraints are evident, yet markets have not fully priced in the implications. After years of range-bound trading, tightening inventories and supply-demand realities point to a significant repricing ahead.

The bottom line

The world is replacing fossil-fuel infrastructure with electric grids, renewable energy systems and digital networks. All of them require vast amounts of copper simply to function. There is only one metal capable of conducting electricity efficiently enough to power cities, charge millions of vehicles and run the data centres driving the next wave of growth. That metal is copper.

As the commodities saying goes, "Copper has a PhD in economics." It sits at the intersection of every major infrastructure build happening right now.

The maths is clear, the timeline is set and the deficit is locked in. Copper is not just another commodity to watch. It is the constraint that will determine how fast the world can build what it has already committed to creating. ☑

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.

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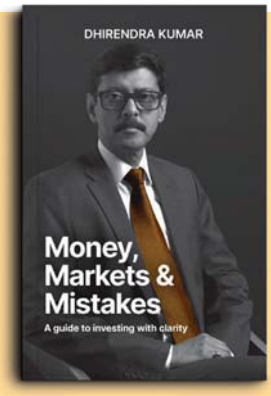

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An uneventful budget

Higher transaction taxes, rising borrowings and shrinking fiscal space deepen investor unease as structural reforms remain pending

By **Puja Mehra**

The markets reacted negatively to this year's Budget. While investors were expecting some relief on the capital gains tax, the Budget instead sprang a surprise by increasing the rate at which the securities transaction tax (STT) is applied to derivatives.

Foreign investors I spoke with said that the hike itself doesn't make much of a difference, but is bad because it signals weak policy clarity. "The STT was introduced because the capital gains tax was made zero. Now, we have both," one US investor said.

That apart, investors are worried, he said, about the big surge in the government's borrowing requirements. These borrowings are budgeted at 25 per cent above what the government raised in 2025-26.

This column found the Budget disappointing. It is another hand-to-mouth Budget that lacks the policy clarity necessary to navigate the current context. The economy needed the budget to deliver this year on many fronts.

The Budget was needed to revive global investor interest in India. Staying with the status quo poses greater risks than before because, in addition to domestic growth challenges, policy must now also prepare for and respond to the global situation.

The coming apart of the rules-based global economic order has made investors wary as uncertainty and risks have risen. The Indian capital markets and the rupee have been under greater pressure than those of other emerging market economies. The rupee has depreciated more than other currencies.

The reasons go beyond the current global upheaval. Foreign investors have been pulling out in recent years. The Budget could have reversed tax rules that have distorted the playing field between Indian and foreign investors, thereby deterring them. The return to blind protectionism in the past decade needs to be reviewed.

Quality control orders (QCOs), introduced eight years ago, are an example. They are now being rationalised after being red-flagged by trade negotiators from the United States and the European Union.

A lot more needs to be done. India needs more and more foreign direct investment to make up for shrinking domestic savings, to access cutting-edge technologies necessary for building competitiveness, and for the other benefits it brings. Attracting capital inflows is also required to finance the current account deficit and ease the pressure on the rupee.

If volatile global dynamics, to borrow the Finance Minister's words in the Budget speech, persist and exports do not grow significantly even after progress on agreements with major trade partners like the United States and the European Union, then foreign capital flows will have to rise.

Trade agreements and a few corrections, such as the curtailing of the spawning QCOs regime, will not be enough to attract Global Value Chains (GVCs). Foreign investment will have to be proactively attracted, as India has to be integrated into GVCs being refashioned to hedge against overdependence on China. So far, India is watching Vietnam and other countries take advantage of this 'China plus one opportunity' opportunity without taking a purposeful advantage of it.

This is necessary not just for sustaining GDP growth, ensuring jobs and strengthening exports, but also for accumulating economic heft.

Navigating the tumultuous world we are in today will become easier with greater economic heft. Geopolitical

> The Budget was needed to revive global investor interest. Sticking to the status quo poses greater risks, because, in addition to domestic challenges, policy must now also prepare for the global situation.

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Illustration: ANAND

leverage accrues to countries that have economic heft, as China has shown. It is the only country in the world today that has successfully pushed back against the Trump administration's one-sided trade deals.

Growth is also the best tool for achieving meaningful fiscal consolidation and maintaining precious macroeconomic stability, which is all the more important in an uncertain environment.

Growth is at the moment coming mainly from private consumption, backstopped by government spending and fuelled by rising household debt in the absence of income growth.

The cuts in the Goods and Services Tax rates and income tax relief for the middle class last year helped drive a cyclical recovery. Those gains will not last beyond the current year. The Budget's capex strategy for infrastructure spending hasn't managed to revive private investment, which has been stalling for a decade now.

The Budget thus needed to shift policy effort from cyclical measures to dismantling structural barriers to growth. The government is banking on trade agreements to do the job, but the real gains from them can accrue to Indian exporters only if all other policies align as well. That calls for a serious push for structural reforms.

One such measure was announced in last year's budget speech: a comprehensive review of the import tariffs. But remains pending (this year's budget had just a handful of changes to customs duties).

The Budget's arithmetic betrays weakening government capacity and policy clarity: the tax collections and spending targets budgeted last year have not been met because, as the fine print shows, GDP growth has not translated into tax buoyancy while the various tax cuts announced reduced gross tax revenues to 11.2 per cent of GDP in 2025-26.

As a result, the government's spending has become constrained at a time when it is a key driver of growth (as discussed in this column last month). The Budget size is projected to shrink from 13.9 per cent of GDP in 2025-26 to 13.6 per cent in 2026-27. In the last 10 years, the government's total expenditure has hardly grown (it was 12.8 per cent of the GDP in 2016-17).

The finance ministry's desperation for resources is evident in the Budget's fine print, which shows that individuals now bear a greater income tax burden than corporations. Collections from corporate taxes are budgeted at 3.1 per cent of GDP, while collections from personal income tax are budgeted at 3.7 per cent of GDP. Ten years ago, corporate tax collections were 3.2 per cent of GDP, and personal income tax collections were 2.3 per cent of GDP.

In popular media, the government gets a lot of praise for 'fiscal prudence'. The truth is, the government isn't managing to stay on its fiscal path by collecting more taxes or exiting the public sector through privatisation. It is meeting fiscal consolidation targets by shrinking expenditure and receiving increasing dividends from the Reserve Bank of India and public sector companies, which are unable to invest in future growth.

The praise for 'fiscal prudence' sits oddly with rising interest payments on government borrowing. Interest payments as a percentage of revenues have shot up from 36.74 per cent to 39.74 per cent in the past two years, leaving the government with less for spending on development and other expense heads. ☑

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'

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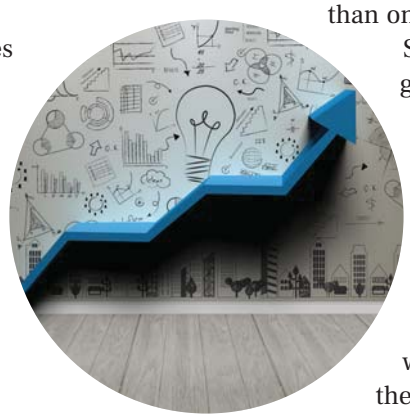
High-growth small caps

Finding small caps that go on to become mid and even large caps is every investor's dream. Our screen can help you do that.

A stock screen filters out companies based on certain criteria. The main advantage of using a stock screen is that it helps you generate stock ideas with a few clicks. It eliminates the time-consuming process of 'finding' companies.

Value Research applies carefully selected stock filters to the universe of Indian stocks to identify and present attractive companies to you. In this issue, we will be covering the 'Small-cap growth companies' screen in detail. We have also given a concise list of stocks from our other screens.

If you want to view all the companies, head to: **https://www.valueresearchonline.com/stocks/selector/.**



Small-cap growth companies

The greatest joy of compounding, for any investor, is unarguably the journey of a small-cap company transforming into a large-cap company. However, the small-cap arena is like the Roman-era Colosseum – many participated in the gladiatorial games, but only a few survived to tell their tale.

Thus, to remove poor-quality small caps, we have applied filters for solvency (debt), business quality (i.e., ROE) and revenue growth. To further refine the list and incorporate valuation, we have selected companies with a PEG (P/E to earnings growth) of less than one.

Small-cap investing requires a lot of groundwork. Pick companies that you understand and research them in detail. This is not for the faint-hearted or amateurs. On their journey to become larger companies, small caps will undoubtedly face multiple headwinds. You should have the skillset to judge whether these are transient or not. You will also need perseverance to deal with the frequent drawdowns in your portfolio.

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

M-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-earnings to growth ratio (PEG)
Ratio of price to earnings to the EPS (earnings per share) growth of a stock. Demonstrates how high a price we are paying for the growth that we are purchasing. In all our analyses, we have taken five-year historic EPS growth.

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.

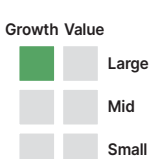
Growth Score
It evaluates a business's historical growth and scale, using metrics such as revenue growth, operating cash flow growth, Piotroski F-score, etc. The score is based on absolute ranges and is driven by current performance and historical consistency of growth. Per share data is considered for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

Return on equity (ROE)
Measured by taking profit after tax as a percentage of the net worth of the company. Indicates how efficiently the company has been able to utilise investors' money.

3Y revenue growth (% pa)
Measures the three-year annualised growth rate of a company's revenue.

3Y EPS growth (% pa)
The three-year annualised growth rate of a company's earnings per share (EPS).

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



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Small-cap growth companies

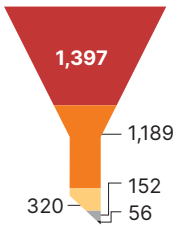
Reasons to invest

- Fast-growing companies
- Chances of high wealth creation
- Fundamentally sound
- Reasonable valuations

The filters

- M-cap between ₹500 and ₹12,545 crore
- D/E 0 to 1
- ROE 3Y avg more than 20%
- Revenue 3Y growth more than 20%
- PEG (5Y) 0 to 1

No. of companies that cleared the filters



Company Industry	Stock Style	Stock Rating	Growth Score	PEG	3Y revenue growth (%)	3Y EPS growth (%)	3Y avg RoE (%)	M-cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Advait Energy Transitions Electrical Machinery		★★★	8	0.3	71.8	76.4	26.9	1,906	1,730	1,885 - 1,351
Afcom Holdings Air Logistics		Unrated	0	0.4	70.4	73.3	34.3	2,341	899	1,144 - 618
Alpex Solar Solar Electric Utilities		★★★	4	0.1	67.7	581.2	30.2	2,060	801	1,450 - 495
Australian Premium Solar Solar Electric Utilities		Unrated	-	0.1	64.0	120.0	34.4	680	330	654 - 293
Arrow Greentech Plastic Packaging		★★★★	8	0.1	49.1	126.2	26.7	620	415	818- 410
Ashapura Minechem Diversified Mining		★★★	7	0.1	37.7	59.3	27.1	5,046	524	925 - 302
BLS International IT Services & Consulting		★★★★	7	0.2	29.6	56.6	33.1	11,125	269	429 - 246
Blue Cloud Softech Software		★★	6	0.1	949.8	517.0	21.1	1,805	24	38 - 15
Bondada Engineering Energy & Power Projects		Unrated	-	0.5	67.5	98.6	34.2	3,722	328	510 - 295
Consolidated Finvest NBFC - Diversified		★★★★★	6	0.3	155.6	81.0	22.7	776	240	246 - 152
Dr Agarwals Eye Hospital Hospitals & Clinics		★★★★★	7	0.1	21.0	31.8	34.2	2,268	4,684	6,392 - 3,513
Dynamic Cables Wires & Cables		★★★	6	0.6	21.0	37.2	20.1	1,373	284	527- 228
Enviro Infra Engineers Water & Sewage const.		★★★★	7	0.2	68.3	55.0	45.6	2,830	162	306 - 159
Garuda Construction const. & Engr. Diversified		★★★	6	0.1	43.0	28.7	41.3	1,703	184	249 - 88
Gokul Agro Resources Edible Oil		★★★★	7	0.3	28.0	24.2	23.2	4,969	173	222 - 97

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STOCK SCREEN

Company Industry	Stock Style	Stock Rating	Growth Score	PEG	3Y revenue growth (%)	3Y EPS growth (%)	3Y avg RoE (%)	M-cap (₹ cr)	Share price (₹)	52-week high/low (₹)
IIFL Capital Services Wealth Management		★★★★★	7	0.7	21.3	32.4	32.9	9,911	320	411 - 180
Indo Tech Transformers Switching Equipment		★★★	9	0.4	32.0	93.2	22.0	1,502	1,422	2,787 - 1,148
Interarch Building solns Iron & Steel		★★★★	7	0.7	20.3	78.4	20.4	3,266	1,942	2,763 - 1,264
Jeena Sikho Lifecare Alternative Medicine		Unrated	-	0.5	47.4	80.6	41.4	8,574	689	850 - 294
KDDL Watches		★★★★	5	0.4	24.1	22.2	20.7	3,094	2,484	3,351 - 2,068
Khazanchi Jewellers Gems & Jewellery		Unrated	-	0.5	90.3	76.7	23.1	1,912	773	800 - 525
Kilburn Engineering const. & Engr. Diversified		★★★	5	0.2	25.2	25.5	25.6	2,730	521	618 - 327
Knowledge Marine & Engr Shipbuilding & Maintenance		★★★★	8	0.3	48.6	19.4	32.7	4,006	1,634	1,959 - 632
KPI Green Energy Renewable Elec. Generation		★★★★	7	0.2	66.4	59.3	26.9	7,849	398	563- 336
KRN Heat Exchanger Heating & Cooling Systems		★★★	9	0.5	40.3	49.7	44.6	5,569	873	1,010 - 590
KSolves India Software		★★★★	6	0.7	29.9	11.8	142.9	771	322	497 - 250
Lloyds Steels Industries Industrial Machinery		★★★	7	0.3	73.4	38.7	23.5	7,413	50	84 - 41
Macfos Online and Direct Retailing		★★★	7	0.9	66.2	41.6	48.1	812	855	927 - 630
Madhya Bharat Agro Diversified Chemicals		★★★	7	0.9	25.5	-3.5	23.0	4,066	461	489 - 240
Monarch Networth Cap. Financial Serv. - Diversified		★★★	7	0.3	30.8	35.3	31.1	2,300	287	399 - 265
Network People Services Financial Technology		★★★★	7	0.5	108.0	211.4	49.2	2,367	1,212	2,532 - 1,133
Nintec Systems Software & Serv- Diversified		★★★★	9	0.3	51.9	80.9	46.1	599	329	529 - 320
Nisus Finance Serv Co Asset Mgmt. Companies		Unrated	-	0.5	108.5	167.5	61.8	692	288	435 - 260

Stock Rating and price data as of February 20, 2026

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

High momentum large caps

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

	P/E		P/E
Vedanta	18.7	Larsen & Toubro	36.9
Adani Power	24.0	JSW Steel	40.9
Adani Ports	27.9	Bharat Electronics	54.1
Tata Steel	28.4	Nestle India	76.8
Maruti Suzuki	31.7	Titan Company	79.0

High momentum mid caps

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

Bank Of India	7.9	L&T Finance	26.5
NMDC	10.1	Alkem Laboratories	27.0
Indian Bank	11.0	AU Small Finance Bank	33.3
Indus Towers	17.4	Fortis Healthcare	72.5
The Federal Bank	17.6	GE Vernova T&D	88.2

High momentum small caps

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

Engineers India	15.6	CarTrade Tech	47.5
Shriram Pistons & Rings	23.9	Vesuvius India	49.5
Garware Hi-Tech Films	31.7	Metropolis Healthcare	57.8
Inox India	41.4	Shaily Engineering Plastics	58.5
Happy Forgings	43.9	Tega Industries	60.9

Value meets momentum

A screen that shows value stocks that are on radar

Consolidated Construction	5.7	Nitta Gelatin India	9.4
KSE	5.7	Sarla Performance Fibers	11.9
International Conveyors	6.8	PTL Enterprises	12.1
Uttam Sugar Mills	6.8	Onward Technologies	14.7
Nahar Poly Films	8.3	Indo Borax & Chemicals	17.0

High dividend yield

Stocks that have a high dividend yield currently

	P/B		Dividend yield (%)
NALCO	3.1	KSE	3.7
Rane Holdings	3.1	Power Finance Corporation	3.9
Kuantum Papers	3.3	GAIL (India)	4.5
Petronet LNG	3.3	REC	5.1
Gateway Distriparks	3.3	PTC India	6.9

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/

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END NOTE

Inside Budget 2026

Fiscal balance, revenue sources and spending allocations in one view

The fiscal math of FY26BE

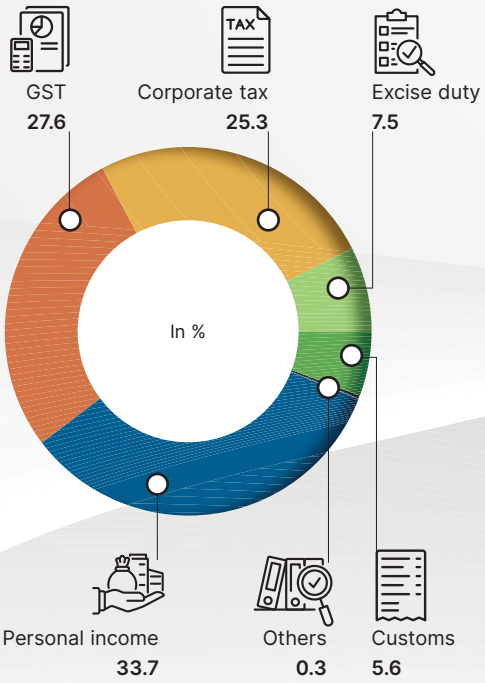
Fiscal aggregates (receipts, expenditure and deficit), as a share of the GDP

(as a % of GDP)

Items	FY23	FY24	FY25BE	FY25RE	FY26BE
Central govt. net tax revenue	7.8	7.9	7.9	7.9	7.9
Gross tax revenue	11.4	11.7	11.8	11.9	12.0
Of which: Direct tax	6.2	6.6	6.8	6.9	7.1
Indirect tax	5.2	5.1	5.0	5.0	4.9
Central govt. revenue receipts	8.8	9.2	9.6	9.5	9.6
Total receipts	9.1	9.4	9.8	9.7	9.8
Total expenditure	15.6	15.0	14.8	14.6	14.2
Fiscal deficit	6.4	5.6	4.9	4.8	4.4

Where the money comes from

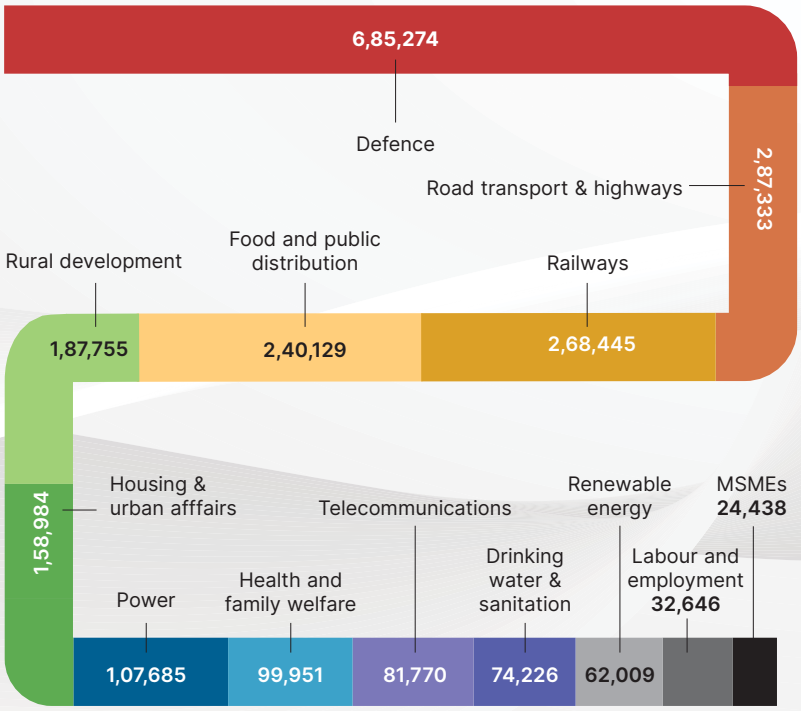
Components of gross tax revenue receipts in FY26BE



Where the money goes

Ministry-wise total government outlay in FY26BE

(in ₹ cr)



Source: NSE Market Pulse February 2026 edition. BE stands for budget estimates and RE stands for revised estimates.

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STP

Systematic Transfer Plan is a facility wherein an investor can opt to transfer a fixed amount at regular intervals from one scheme to another, at a predefined frequency.

SWP

Systematic Withdrawal Plan is a facility that allows you to withdraw a fixed amount from an existing mutual fund at a predetermined interval.

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CANARA ROBECO Mutual Fund

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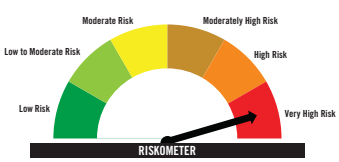
***Investors should consult their financial advisers if in doubt about whether the product is suitable for them.**



The risk of the scheme is Very High risk

Riskometer is as on January 30, 2026

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