EQUITY INSIGHTS

My Investment Framework

@EquityInsightss

THE PETER LYNCH LENS

Peter Lynch's six stock categories

WHERE THE MONEY IS

Fast growers

20%+ growth

Bajaj Finance · Cholamandalam · Polycab · Max Healthcare · Eternal · Titan

Companies consistently gaining market share, growing faster than their industry.

Stalwarts

12–15% growth

Marico, SBI, Reliance, HDFC Bank, UltraTech, DMart

Slow growers

Under 10% growth

Dabur, Wipro, Colgate, Relaxo, Infosys

Cyclicals

Swing with the cycle

Tata Steel, JSW Steel, GPIL, NMDC, ONGC

Turnarounds & asset plays

Very hard to spot, and very few play out.

Our focus: fast growers

MY INVESTMENT FRAMEWORK

The RISE framework

Four things we look for before owning a business.

R

Reasonable valuation

A fair price for the growth on offer, with room for the P/E to re-rate

I

Integrity of management

Honest, capable promoters who deliver and allocate capital well

S

Share gains

Growing faster than the industry, taking business from rivals

E

Expanding runway

Industry tailwinds and a long runway for growth ahead

PILLAR 1 OF 4 · RISE

Reasonable valuation

R

PRICE = EPS × P/E

Re-rating ▲

EPS doubles, P/E goes 20 → 30. Stock goes **3x**.

De-rating ▼

EPS doubles, P/E goes 60 → 30. Stock goes **nowhere**.

WHAT IS THE PEG RATIO?

PEG = P/E ÷ EPS growth (%)

The price you pay for each unit of earnings growth.

MARGIN OF SAFETY?

PEG near 1 is where the interesting opportunity lies.

PILLAR 2 OF 4 · RISE

Integrity of management

I

Back honest, capable people. A great business in the wrong hands is a bad investment.

Track record

Do they deliver what they guide? Check past promises against results.

Capital allocation

How is cash spent: growth, dividends or empire building?

Governance

No related party leakage, promoter pledging, auditor exits or repeated dilution.

PILLAR 3 OF 4 · RISE

Share gains

S

If a company grows faster than its industry, it is winning customers from rivals.

Growth vs industry

Industry grows 10%, company grows 25%? That gap is market share.

Growing pie

A bigger slice of a growing market is the best of both worlds.

Pricing power

Gaining share without cutting prices shows real strength.

PILLAR 4 OF 4 · RISE

Expanding runway

A long runway lets earnings compound for years, not just a few quarters.

E

Industry tailwinds

Structural themes such as healthcare, financialisation and manufacturing.

Large opportunity

A big addressable market that is still under-penetrated.

Room to scale

Operating leverage: profits grow faster than revenue as the business scales.

DIG DEEPER · FIVE CHECKS

Looking beyond the P&L

The real picture emerges only when you dig deeper.

Cash flows

CFO / EBITDA

70%+

Over 3, 5 and 10 years. Weak cash means repeated equity or debt raises.

Return on equity

Capital efficiency

15%+

If growth runs ahead of RoE, the company must keep diluting equity.

Leverage

Net debt / EBITDA

< 2x

Debt can fund growth. Too much of it turns growth stories into bankruptcies.

Promoters

Holding & pledging

No pledge

A high, rising stake shows conviction. Pledging is a red flag.

Gross block

Fixed assets

Rising

Steady reinvestment in capacity builds the base for future growth.

The best businesses compound from internal accruals, without outside money.

WHAT MOVES A STOCK

Stock price catalysts

01
Sectoral tailwinds driving multi-year growth visibility

02
Product mix shift toward higher margin categories

03
Operating leverage playing out

04
Capacity expansion (capex)

05
Insider buying

06
Geographical expansion unlocking new TAMs

07
Supply-side consolidation

08
Debt reduction improving balance sheet strength

09
Operational efficiency (tech adoption) improving cost structures

10
Corporate actions (M&A, spin-off)

CONVICTION
Clear catalysts keep your conviction through market volatility.

WRITE IT DOWN
Always have a clear, written thesis whenever you buy a stock.

ANTI-THESIS
Set clear anti-thesis triggers. Exit when the thesis no longer holds.

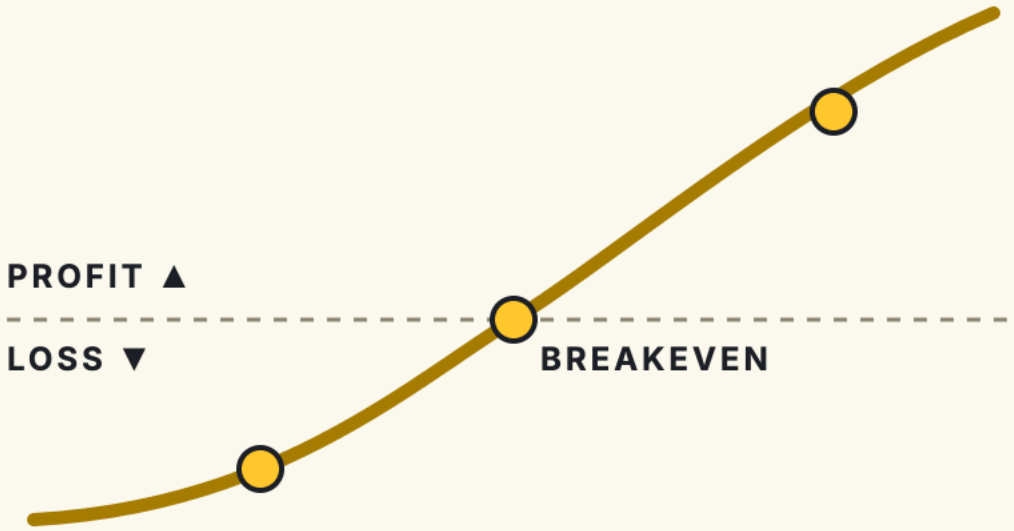
RATE OF CHANGE

The market rewards rate of change

01 Losses narrowing: the market starts to notice.

02 Breakeven: the story flips and re-rating begins.

03 Profits accelerating: a big positive as earnings and P/E rise together.



EQUITY INSIGHTS

PORTFOLIO DEFENCE

How to avoid disasters in a portfolio

The biggest mistakes usually come from the kind of businesses we choose to own. Stay away from:

High leverage
Highly levered companies

Expensive valuations
Great story, wrong price

Equity dilution
Frequent fund-raising that shrinks your share

Governance red flags
Related-party deals, pledging, auditor exits

Weak cash flows
Avg CFO/EBITDA over 3–5 years below 70%

Aggressive accounting
Or inconsistent disclosures

All talk, no walk
Promoters who don't deliver what they promise

Crowded stocks
Names everyone is already talking about

MARKET CYCLES AT PLAY

Earnings and valuation drive returns

	P/E RISING ▲	P/E FALLING ▼
EARNINGS ▲	**Double engine** Profits grow and the market pays more for them. Biggest gains.	**Growth gets eaten** Profits rise but the multiple shrinks. The stock goes nowhere.
EARNINGS ▼	**Hope rally** Price runs ahead of results. Fragile, so watch closely.	**Double whammy** Profits fall and the multiple compresses. Biggest losses.

Market cycles have become extremely short. Valuation discipline matters more than ever.

SECTOR IS NOT ENOUGH

Same sector, different outcomes

BETTER EXECUTION		WEAKER OUTCOME
Ather Energy	VS	Ola Electric
Eternal	VS	Swiggy
Bharti Airtel	VS	Vodafone Idea
IndiGo	VS	SpiceJet
Indian Hotels	VS	Mahindra Holidays

Broadly the same sectors, similar opportunities and macro tailwinds. Yet shareholder outcomes have been completely different.

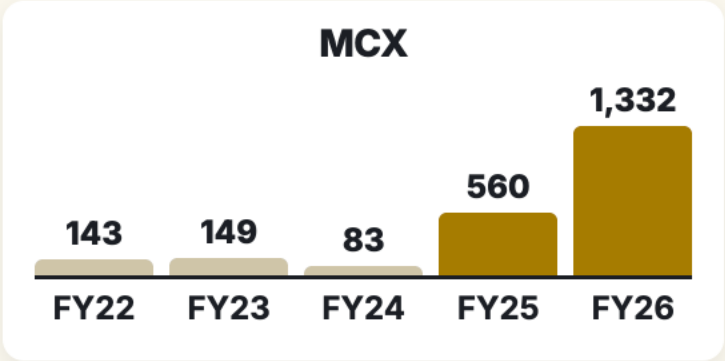
Picking the right sector is never enough.

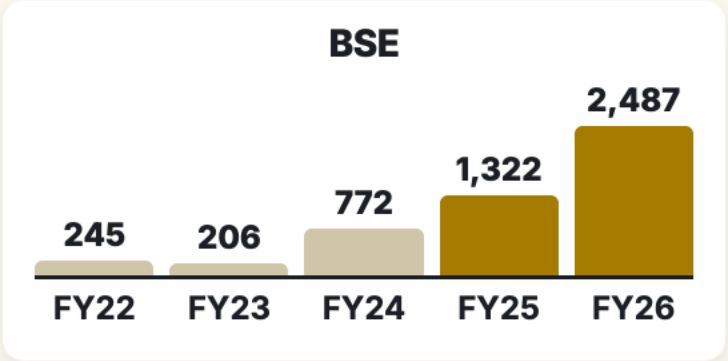
THE BIGGEST DIFFERENTIATOR

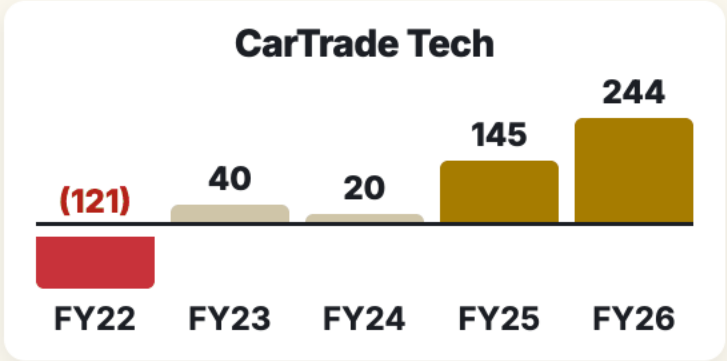
Execution

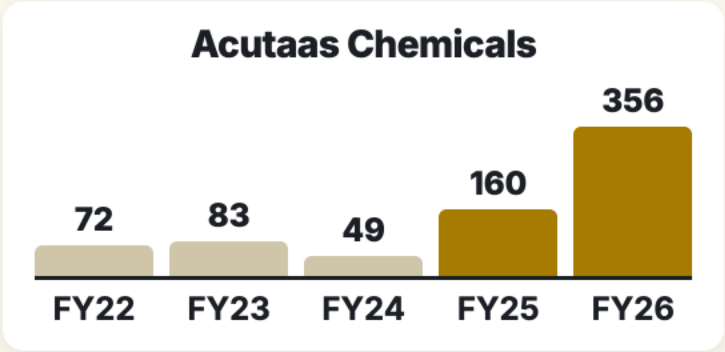
CONSOLIDATED PAT · ₹ CR · FY22 → FY26

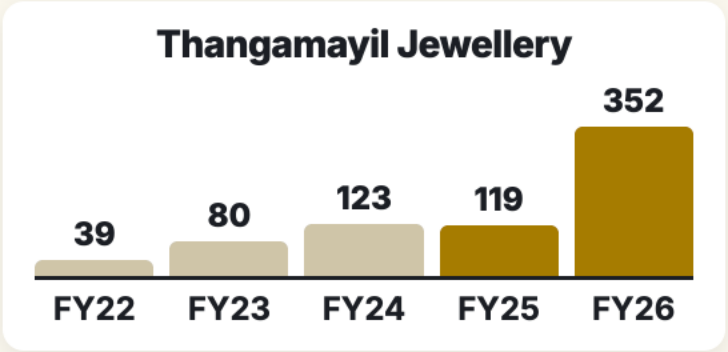
J-curve profit trends

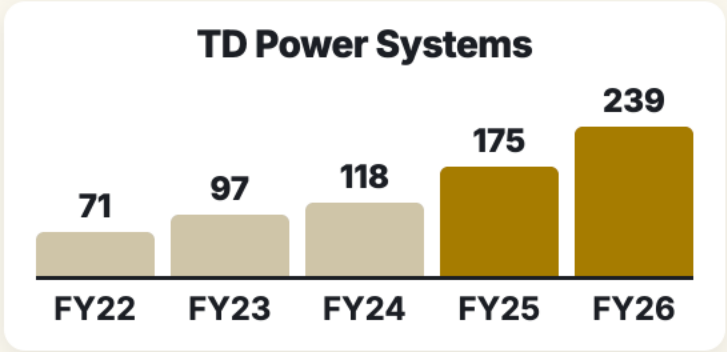












WHERE WE'RE LOOKING · SIX STRUCTURAL THEMES

Interesting Themes

Healthcare

Rising insurance cover and under-served demand

Hospitals · Diagnostics · CDMO · Medical devices

Financialisation

Household savings shifting to financial assets

Exchanges · Wealth managers · Brokers · Depositories

Premiumisation

Rising incomes: consumers trade up to brands and experiences

Hotels · Music & media · Jewellery · Travel

Manufacturing

China+1, PLI schemes and the capex cycle

Industrials · Defence · EMS · Auto components

Energy transition

Rising power demand, renewables and grid build-out

Renewables · Power equipment · Transmission · W&C

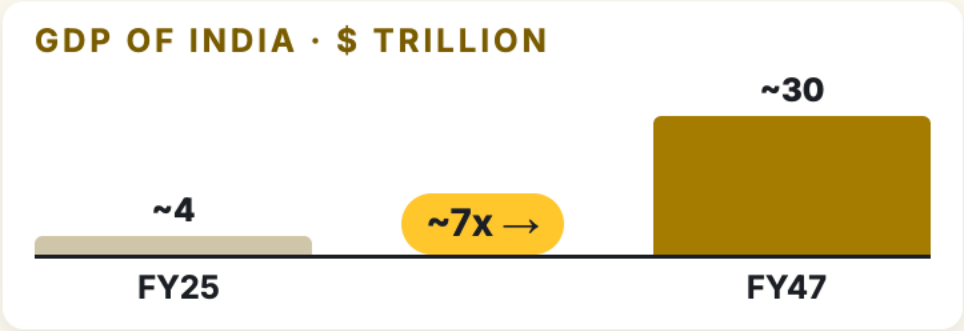
Digital economy

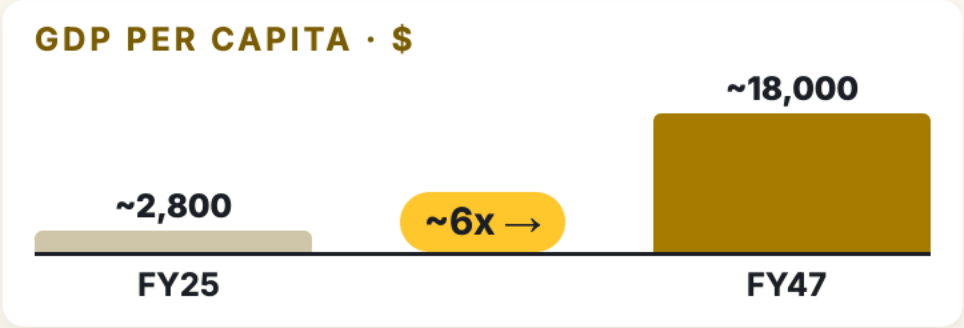
Online consumption, payments and data growth

Platforms · Fintech · Data centres · E-commerce

FINANCIALISATION · VIKSIT BHARAT 2047

Financialisation of household savings





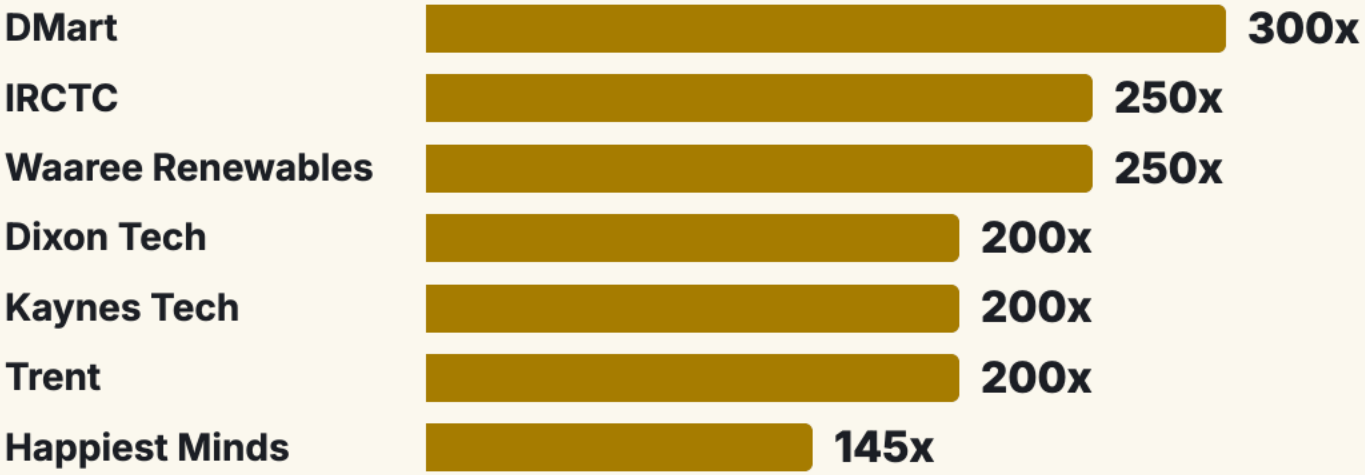
	FY25	FY47
Household MF penetration	~10%	~35%
MFs in investable assets	~9%	~30%
Individual MF AUM as % of GDP	~13%	~80%

Sources: IMF; NITI Aayog 2047 vision paper; Bain–Groww analysis. MF = mutual fund, AUM = assets under management.

THE PRICE YOU PAY

Peak P/E risk

High starting valuations punished investors



Peak P/E · *A few examples

PEAK P/B · LENDERS

AAVAS Financiers	10x
Bajaj Housing	8x
IREDA	8x

~60%

Median correction from the highs

HOW CYCLES PLAY OUT · IT SECTOR

IT sector: why entry valuation matters

200x

P/E · INFOSYS & WIPRO AT THE PEAK

IT did well for a decade, yet buyers at the peak hardly made any returns.

01 The market spots the potential early

Big opportunity and fast growth attract money.

02 P/E expansion turns into a bubble

Valuations race far ahead of earnings.

03 Growth slows, the de-rating hits

P/E expansion stops and the fall is sharp.

Growing 40–50% at a high P/E

Looks fine while growth carries the multiple.

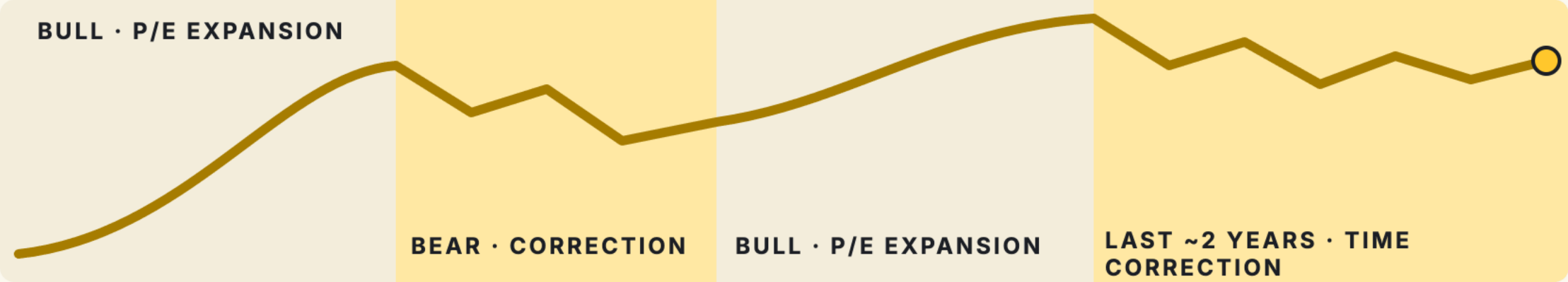
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Growth slows to 20%

The multiple can't hold. The de-rating is sharp.

THE CYCLE IS ALWAYS AT PLAY · ILLUSTRATIVE

Bull and bear phases of a cycle



BULL MARKET

Over-optimism

Returns led by P/E re-rating (valuation expansion).

BEAR MARKET

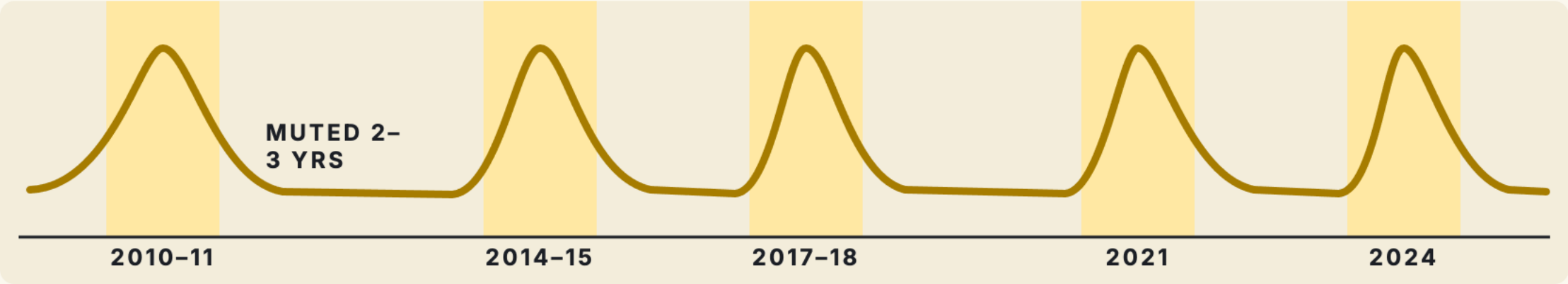
Reality check

Time + price correction (valuation contraction).

The flat market of the last ~2 years is this cycle at play.

GREED & FEAR · SMALLCAP UPCYCLES

Smallcap cycles: roughly every three years



~3 years

Smallcap cycles have historically repeated roughly every three years.

2–3 years

Phases where returns stay muted and fear is in charge.

100–150%

Then sharp moves in just a few months as greed takes over.

NARRATIVES FOLLOW PRICES

Market narratives follow prices

WHEN MARKETS ARE DOING WELL

Euphoria

"This is India's decade" | Big index targets | Bullish headlines | Endless optimism

Valuations become expensive across the board.

Our move: be cautious

WHEN MARKETS ARE NOT DOING WELL

Fear

Every negative highlighted | What can go wrong | Worst-case scenarios

Fear takes centre stage and good businesses go on sale.

Our move: look for opportunities

MARKET CYCLES

Bull market vs bear market

BULL MARKET

“Everyone looks like a genius.”

A rising tide lifts every boat. Luck feels like skill, and risk feels small.

BEAR MARKET

“Reality hits hard.”

Only quality businesses, valuation discipline and a written thesis survive.

Your process gets tested in the bear market.

CASE STUDY 01 · HEALTHCARE · TRACKED SINCE IPO

Yatharth Hospital

3x+

SINCE IPO (2023)

01 Multi-speciality hospitals in North India. Costs are largely fixed, so higher occupancy lifts margins.

02 Added four hospitals since IPO: Greater Faridabad, Model Town, Faridabad Sec-20 and Agra. Gurugram due H1FY28.

03 Advent International: proposed ₹3,150 Cr for 24.9%. Bed ambition raised to 7,000–8,000 over 3–5 years.

BEDS	OCCUPANCY	ARPOB	HOSPITALS
1,405 → 2,800+	~45% → 72%	₹26,538 → ₹35,948	4 → 8 (+1 upcoming)

CASE STUDY 02 · CAPITAL MARKETS · DEMERGER

Nuvama Wealth Management

3x+

RETURN

01 Wealth management, asset management, and asset services and capital markets on one platform.

02 Demerged from Edelweiss and listed on 26 Sep 2023, with PAG as the institutional promoter.

03 Valued as a standalone, high RoE wealth franchise with growing recurring fee income.

OPERATING PAT
₹368 Cr (FY23) → ₹1,049 Cr (FY26)

CLIENT ASSETS
₹2.3 → ₹5.47 lakh Cr

H1FY27 ROE
~29%

Q2FY27 RUN RATE
~₹1,276 Cr op. PAT (annualised)

CASE STUDY 03 · CONSUMER INTERNET

CarTrade Tech

3x+

RETURN

01 Asset light marketplaces: CarWale, BikeWale, CarTrade, Shriram Automall & OLX India.

02 Acquired OLX India in Aug 2023, kept the classifieds business and shut loss making OLX Autos.

03 Monetisation and operating leverage turned a large audience into profit and cash.

PAT (₹ CR) · FY24–FY26
20 → 145 → 244

EBITDA MARGIN · FY23–FY26
9% → 33%

BALANCE SHEET
~₹1,401 Cr cash, zero debt

AMBITION
₹1,000 Cr annual PAT in 4–5 years

CASE STUDY 04 · EXCHANGES · OPERATING LEVERAGE

Multi Commodity Exchange (MCX)

~75%

EBITDA MARGIN (H1FY27)

01 India's leading commodity derivatives exchange. It earns fees per trade, and costs barely rise with volume.

02 Moved to a new TCS built trading platform in Oct 2023, ending a phase of elevated technology costs.

03 Options volumes surged while the cost base stayed broadly flat.

PAT (₹ CR) · FY24–FY26
83 → 560 → 1,332

H1FY27 REVENUE
₹1,502 Cr, +101% YoY

H1FY27 PAT
₹868 Cr, +116% YoY

CASE STUDY 05 · SPECIALITY MANUFACTURING

Garware Hi-Tech Films

2x+

RETURN

01 Speciality films: paint protection (PPF), sun control and architectural films.

02 About 86% of the mix is now value-added, so profit grew far faster than revenue.

03 US tariffs slowed FY26; H1FY27 witnessed a strong rebound.

PAT (₹ CR) · FY23–FY26

166 → 338

EBITDA MARGIN · FY23–FY26

19% → 24%

FY27 GUIDANCE

Revenue >₹2,500 Cr, margin 27% ± 2%

THE COMMON THREAD

Five different routes to earnings growth

These were not the same kind of investment. Each company grew earnings in its own way.

Capacity expansion

Yatharth Hospital

More hospitals, higher occupancy and ARPOB

Demerger

Nuvama Wealth

Earnings exploded due to operating leverage

Monetisation

CarTrade Tech

OLX integration turned audience into profit

Operating leverage

MCX

Options volumes surged on a fixed cost base

Product mix

Garware Hi-Tech

Shift to premium speciality films

WHAT DIDN'T WORK

Exits: where the thesis did not play out

Not every idea works. When the thesis breaks, we sell.

Equitas SFB	**BLS International**	**Sanghvi Movers**
AWFIS	**Senco Gold**	**Raymond Lifestyle**

Exit early and the loss stays small.

STOCK MARKETS ARE A PLACE OF REGRETS

Missed opportunities

Stocks that went on to become multibaggers while we stayed on the sidelines.

EV TWO-WHEELERS
Ather Energy

AUTO & AEROSPACE PARTS
Sansera Engineering

SPECIALITY CHEMICALS
Acutaas Chemicals

PHARMA · CDMO
Laurus Labs

EXCHANGES
BSE

MUSIC
Tips Music

JEWELLERY MANUFACTURING
Sky Gold

AUTO COMPONENTS
Lumax Auto Tech

No investor catches every multibagger. The aim is a process that catches enough of them.

THE PORTFOLIO VIEW

Asymmetric returns at portfolio level

DOWNSIDE

−20-30%

Our median loss when a thesis fails and we exit.

UPSIDE

3x+

Yatharth, Nuvama, CarTrade. Winners can keep running for years.

Illustration: 10 equal bets. 3 triple, 4 stay flat, 3 fall 25% → the portfolio is up about **52%**.

We judge returns at the portfolio level.

RIDING A MAD BULL

“You can’t make 10-20-50x returns without first developing the mindset to own.”

Know what you own

Every multibagger investor knew the business they held and its potential. It doesn’t happen by fluke.

Conviction compounds

Each year of better performance deepens your understanding and gives you the conviction to bet big.

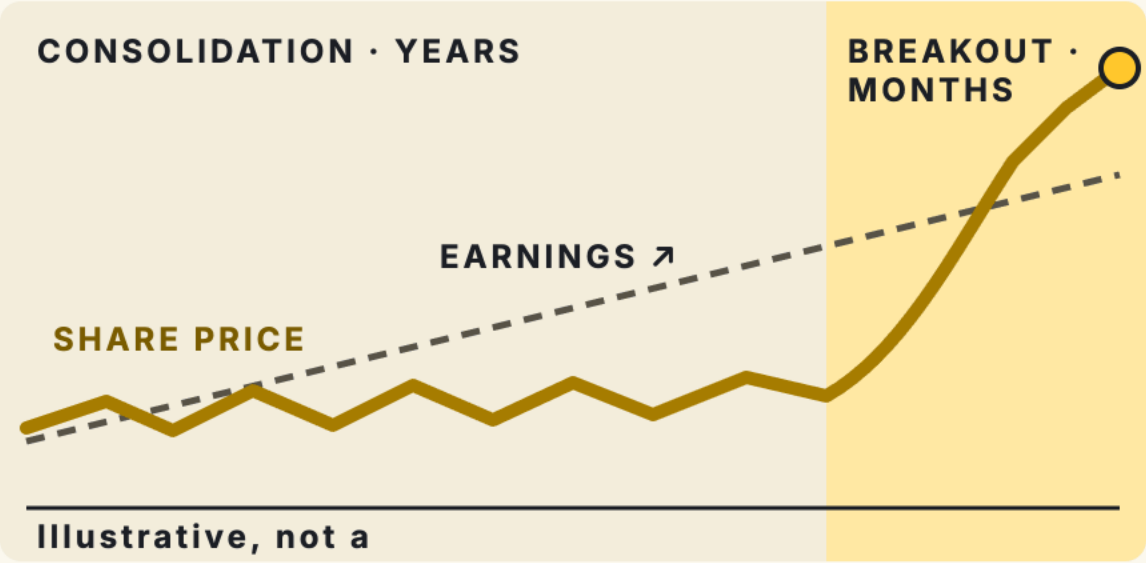
Don’t sell the double

It’s tempting to book gains when a stock doubles. Conviction helps you flow through the journey.

There will be steep corrections. Conviction is what helps you hold on.

PATIENCE PAYS · WHEN STOCKS CONSOLIDATE

Returns are never linear



Frustrating, but cheaper

If the company keeps walking the talk, consolidation makes valuations more attractive.

Control what you can

Business performance, future outlook and valuations. The rest falls into place.

Diversify across cycles

At any time, one sector gains momentum while another falls out of favour.

Stocks can go nowhere for years, then deliver multi-fold returns in a single year.

THINGS TO AVOID

Common investing mistakes

01

Peak valuations

A great company at the wrong price can still lose you money.

02

FOMO buying

If you're buying only because it's up, you're late.

03

Euphoria

Gold and silver showed how fast a euphoric rally can reverse.

04

Herd investing

When everyone already owns it, who is left to buy?

05

Ignoring cycles

Market cycles are now extremely short. Stay alert.

→

Instead

Valuation discipline, patience, and our own research.

EVERY QUARTER

Our quarterly checklist

Three checks on every stock we own, every quarter.

01

Earnings

Track every quarterly result, and peers' results too, to see who is gaining.

Did growth meet our thesis?

02

Future trajectory

Management's outlook, from concalls, investor presentations and interviews.

Is guidance rising or falling?

03

Valuations

Ideally, a PEG close to 1. PEG = P/E ÷ earnings growth.

Three checks, every quarter. Then hold, add or exit.

THE SELLING FRAMEWORK

Selling framework: three triggers

Buying gets the attention. Selling decides how much you keep.

1

Valuations turn crazy

Triple-digit P/E, with the market already pricing in FY30 estimates, like a few hot themes right now.

2

Execution falls short

The company doesn't deliver on our thesis. Thesis not working → exit.

3

A better opportunity

Another stock offers a better IRR and more upside. We switch.

Selling is part of the process.

THE EDGE

Learning never stops

Listen to every concall

Management's tone, guidance, and the questions they dodge.

Track results like a hawk

Every quarter: growth, margins and cash flow against our thesis.

Update the thesis

When the facts change, we change fast.

GOLDEN RULES · PART 1 OF 2

Golden rules of investing

01

The best opportunities come in times of pessimism.

02

The big money is not in the buying and selling, but in the waiting.

Charlie Munger

03

Know what you own, and why you own it.

Peter Lynch

04

Selling your winners and holding your losers is like cutting the flowers and watering the weeds.

Peter Lynch

05

Position sizing matters as much as stock selection: what you make when right vs. what you lose when wrong.

06

If you don’t sell at the right time, you get your exit in the next cycle.

GOLDEN RULES · PART 2 OF 2

Golden rules of investing

07

If your conviction is based on someone else's opinion, you'll sell in a panic when volatility hits.

08

Avoid leverage. It's a double-edged sword that amplifies risk and can wipe out years of compounding.

09

When the facts change, I change my mind. Markets reward adaptability.

Attributed to J. M. Keynes

10

Compounding is the 8th wonder of the world.

Often attributed to Albert Einstein

EQUITY INSIGHTS

OUR APPROACH

Buy, track, review

BUY → TRACK → REVIEW

IMPORTANT

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Companies mentioned are examples used to explain concepts. They are not recommendations to buy, sell or hold any security.

Past performance does not guarantee future returns. Equity investments are subject to market risks.

The presenter may hold positions in some of the stocks discussed. Please do your own research before making any investment decision.