Theory of Compounding

Issue #4: The Bulls are Back: Samvat 2082 Model Portfolio

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This Past Month

I previously talked about the 3 factors that the markets need before embarking on the next bull run. They were:

1. **Earnings acceleration in Q2**
2. **US rate cuts and FII buying**
3. **Domestic demand (GST success)**

With the results season kicking off, 2 of the 3 factors are looking favourable. Initial results in Q2 are good, especially among mid and small caps. The overall net profit growth stands at 9.14%. However, with only 264/4,919 results out, conclusions cannot be made. The best case scenario would be +HSD revenue growth and double digit profit growth.

	Revenue	Gross Profit	Net Profit
LARGE CAP	805,292 (7.68 %)	164,589 (9.44 %)	111,031 (7.27 %)
MID CAP	234,478 (1.92 %)	58,467 (14.49 %)	28,607 (21.22 %)
SMALL CAP	88,901 (-1.76 %)	12,013 (5.95 %)	6,820 (21.25 %)

US rate cuts are enacted and recent FII activity has been a little better than last few months, to say the least.

14,505.27	14,196.29	308.98
14,739.14	13,741.85	997.29
14,013.54	13,944.90	68.64
10,847.86	12,356.39	-1,508.53
8,085.41	8,325.51	-240.10
10,236.07	9,776.87	459.20
10,907.48	9,599.32	1,308.16

The final factor is domestic demand revival (GST success). This remains to be seen in the data. Though broader macros are positive, granular data points (like PV sales) are still to show meaningful improvement.

The TOC Model Portfolio

To do something special and unique for people who follow and learn from TOC, I'm introducing the TOC model portfolio. The purpose is to practically teach and understand the process of construction and management of an equity portfolio.

The rules are simple:

1. 100% equities; flexi-cap; all stocks bought at once at the close price of 21/10/2025 mahurat trading session. Initial investment: 10 lacs.
2. This isn't a portfolio I own. There might be some stocks in it that I personally own. However, these are strictly no recommendations. The purpose is to LEARN. Please don't copy the portfolio as there is a significant risk involved.
3. This is not a typical buy and hold till the next Samvat Diwali picks. I'll be actively managing (buying/selling/changing allocations) and keep sharing the updates in the weekly TOC newsletter that you can subscribe from here.
4. For every stock that I'm selecting and every change that I'm making, I'll be sharing the rationale in detail.

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The Backdrop

India remains the world's fastest growing major economy and is expected to maintain the status for long. The long term view is bullish.

In the near term, we've seen Indian markets consolidate for nearly 1.5 years after a massive bull run. However, there are now a few reasons to wonder if the bulls are finally back. As mentioned in the beginning, the current trends are favourable with 2/3 factors hinting at a revival.

Technically, after a long time we're seeing a clear higher high, higher low pattern on the daily charts in Nifty after taking out a major resistance.

The broader macros support the bull thesis as well. We discussed in [last month's print]() that indian macros now look as good as they've had in a decade.

In addition, sectoral charts like Bank Nifty, Fin Nifty and Nifty Metals show rising strength and favourable valuations for an impending rally.

Portfolio & Rationale

With the backdrop set, let's jump right into the model portfolio. The stocks we're picking, the allocation and the rationale.

Name	Segment	Sector	Allocation	Rationale
L&T	Large Cap	Construction	10%	Biggest infra capex beneficiary; order book at 2.3x of sales; clear 15-20% CAGR visibility; price consolidating since January 2024; valuations now normalised
SBI	Large Cap	Banking	8%	Private bank asset quality being discounted at public bank P/B; a play on revival of credit growth + benefits from RBI's liquidity infusion + valuations re-rating
Kotak Bank	Large Cap	Banking	7%	A consolidation of 5 years; valuations normalised; a pending upcycle in banking and finance and any positive surprise in earnings could facilitate a breakout
M&M	Large Cap	Auto	9%	Best-positioned in Autos, sales growth back to 20%+; gaining share in SUV segment; can benefit massively from GST and festive season ahead
Shriram Finance	Large Cap	Finance	6%	High-yield NBFC play on used CV and small business credit growth; 15–18% earnings CAGR visibility with stable NIMs
Waaree Energies	Mid Cap	Energy	8%	Strong order inflows and execution; multi-year revenue growth visibility; margin compression a potential issue but only backward integrated player in solar could offset the impact
KEC	Mid Cap	Capital Goods	8%	40k crore in order book; benefits from transmission & distribution tailwinds; another play on revival of capex cycle
Sona BLW	Mid Cap	Auto	5%	"New-age" auto ancillary; massive ~₹26,000 cr + order book with 75%+ from global EV programs; strong R&D; valuations have largely
Motilal Oswal	Mid Cap	Capital Markets	7%	One of the most integrated capital market plays; significant capital market activity ahead with large number of IPOs and positive sentiment after a dull period
PG Electroplast	Small Cap	Manufacturing	6%	Valuations moderated after recent fall due to seasonality factors; long-term prospects intact; positioned to recover as demand normalise; strong manufacturing play
IEX	Small Cap	Energy	7%	Deep value contrarian play; regulatory fears of "market coupling" appear priced-in; market share should stabilize in time; any positive surprises should have major impact
Oswal Pumps	Small Cap	Capital Goods	7%	35% CAGR industry growth; large TAM; backward integration is a moat giving an edge over the competition; could benefit from GST reduction on pumps
Yatharth Hospitals	Small Cap	Hospitals	6%	Guiding 20%+ topline at 26% EBITDA margins; recently acquired a new hospital in the first expansion beyond NCR region
Bluejet Healthcare	Small Cap	Pharma	6%	Niche CDMO with strong sectoral tailwinds; CDMO business still only a part of revenue; visible growth runway with consistent margins

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