

NETRA

Early Signals Through Charts

May 2026



"No one has yet discovered any other formula for investing which can be used with so much confidence of ultimate success, regardless of what may happen to security prices, as Dollar Cost Averaging."

- Benjamin Graham

SIP: Not Magical. It Is Methodical.

As the data shows, over the long-term, SIP investors have generally generated positive real returns. Even in the few markets where SIP real returns are negligible, lump sum returns in real terms have been negative highlighting the relative resilience of systematic investing.

Recognizing that a 30-year SIP horizon may appear extended, we have also included 5-year rolling SIP returns to provide a more practical perspective. Ultimately, disciplined investing through SIP helps mitigate behavioral errors and reduces the impact of poor timing decisions.

A few lessons:

1. SIP is a hedge against our behavioral biases.
2. It's an acceptance of long-term average outcomes.
3. It works when we remove ourselves and let the structure do its job.
4. There is enough historical, mathematical evidence to support SIP.
5. SIP is a process that once started, should go on for decades, ideally forever.

Local Currency Returns	Lumpsum returns	Lumpsum Real Returns	SIP Returns*	SIP Real Returns#	Minimum 5 Year SIP Returns	Maximum 5 Year SIP Returns	Average 5 Year SIP Returns@	Average 5 Year Lumpsum Returns	% of Times 5 Year SIP has given >8% Returns
Country	Last 30 Years								
UK	3%	1%	4%	1%	-20%	13%	2%	2%	12%
Australia	5%	2%	4%	2%	-15%	21%	4%	4%	17%
France	5%	3%	4%	2%	-24%	19%	3%	3%	24%
Canada	7%	4%	6%	4%	-15%	19%	5%	5%	24%
China Mainland	7%	3%	4%	1%	-18%	58%	4%	4%	25%
Malaysia	1%	-1%	3%	0%	-13%	21%	4%	3%	27%
Taiwan	6%	6%	8%	8%	-28%	28%	5%	4%	29%
China (HK Listed)	3%	-1%	3%	0%	-27%	65%	7%	6%	33%
Korea	6%	3%	9%	6%	-15%	34%	7%	6%	33%
Philippines	2%	-2%	4%	0%	-25%	34%	6%	5%	41%
Mexico	11%	3%	9%	1%	-13%	46%	11%	11%	47%
Indonesia	9%	0%	10%	1%	-15%	48%	12%	12%	47%
Japan	3%	3%	7%	7%	-24%	24%	4%	3%	47%
Brazil	13%	6%	11%	4%	-15%	43%	11%	11%	51%
USA	8%	5%	9%	6%	-23%	19%	6%	6%	52%
India	11%	4%	12%	5%	-11%	46%	13%	12%	74%

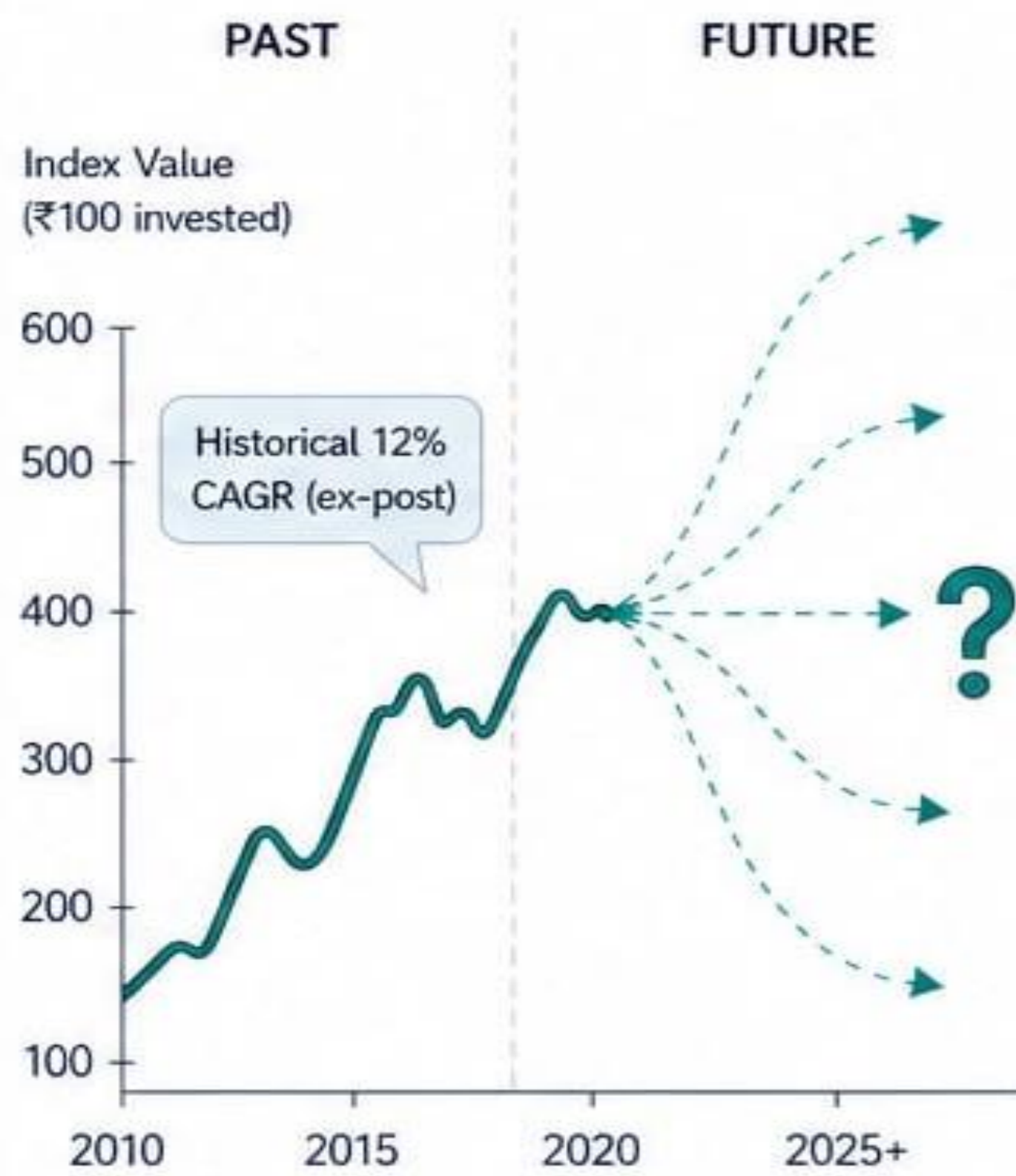


Source: Bloomberg, DSP. Data as of April 2026. *Green Highlight is where SIP returns are higher than Lumpsum returns. #Green Highlight is where SIP real returns are higher than 5%. @Green Highlight is where Average 5 Year SIP returns are higher than Average 5 Year Lumpsum Returns. Respective countries major indices have been considered. PRI indices are considered for all the countries to keep consistency.

Why Average Returns Are So Hard To Earn.

Past ≠ Future

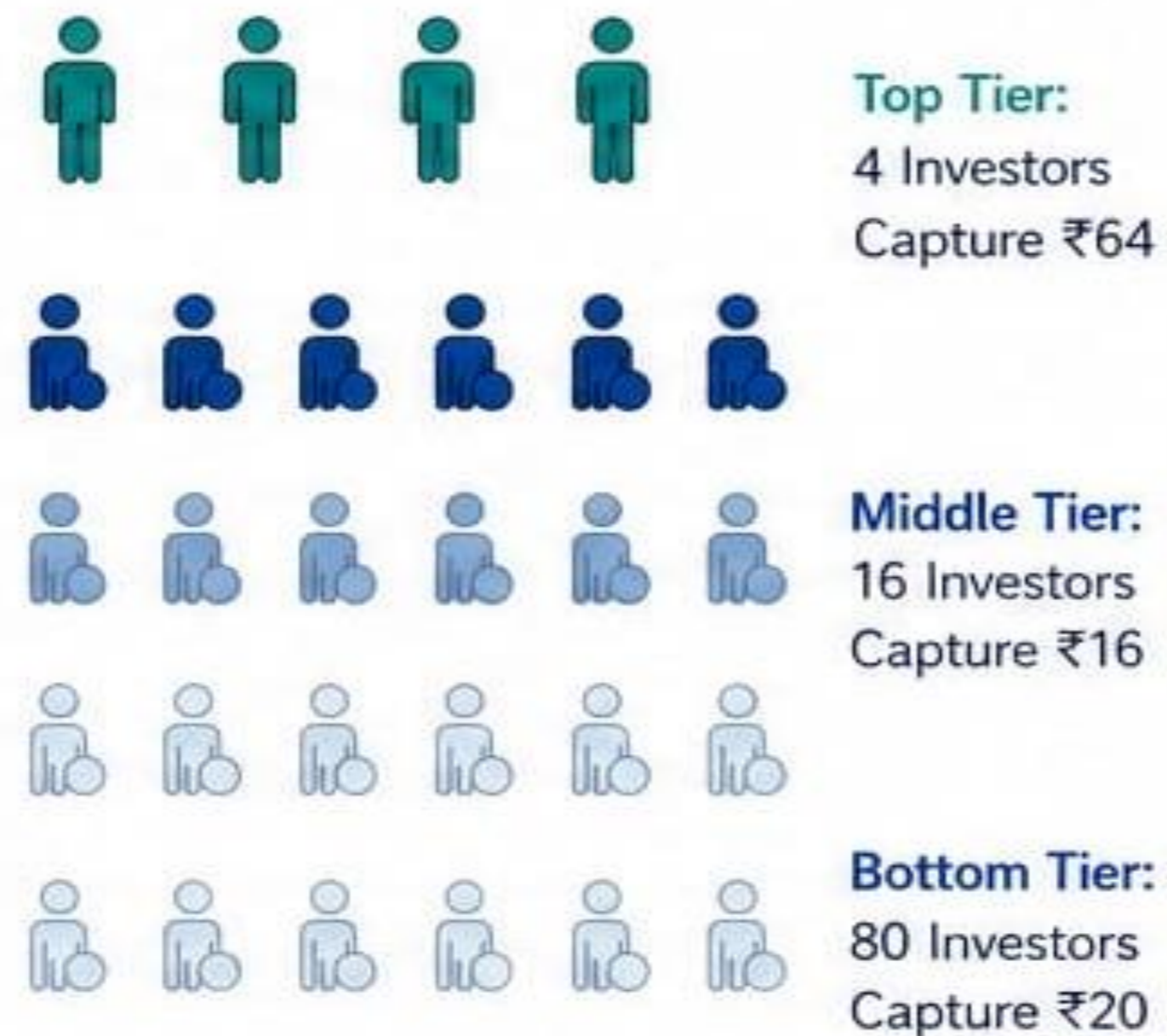
History is a guide, not a promise.



Not an ex-ante guarantee of future performance.

Average ≠ Typical

Power law outcomes define the market.



Investor Group	Number	Returns Captured
Top Tier	4	₹64
Middle Tier	16	₹16
Bottom Tier	80	₹20

The market average is not the average investor experience.

Market ≠ Investor

The investor's journey is non-ergodic.

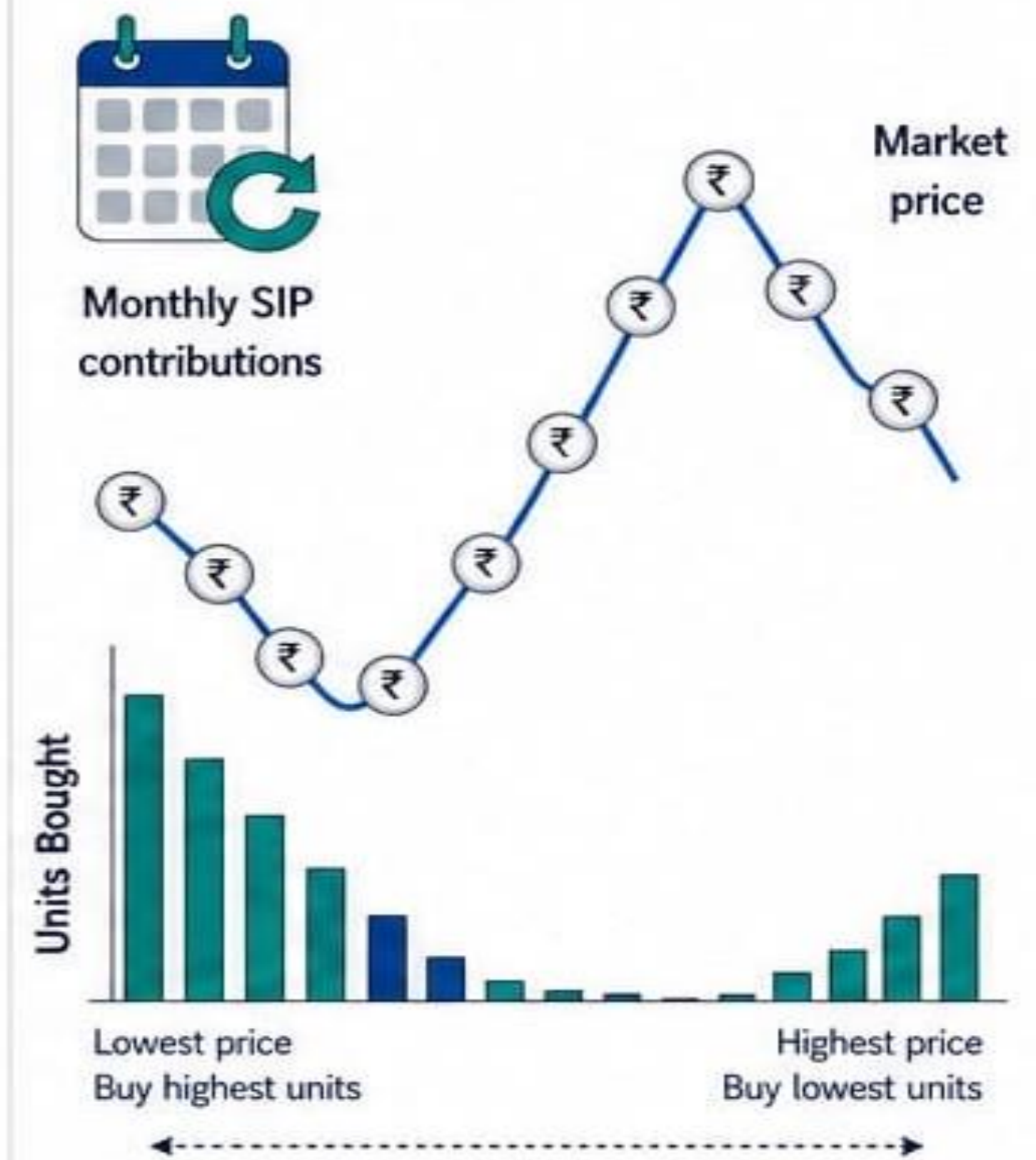


The market's average return is an ensemble average. The investor's realised return is a time average. In a non-ergodic system, these are not the same.

Sequence risk matters: One fall can end your journey.

SIP = Discipline

SIP is a disciplined process of regular investing.



Rupee-cost averaging buys more units at low prices, less at high prices, reducing timing dependence.

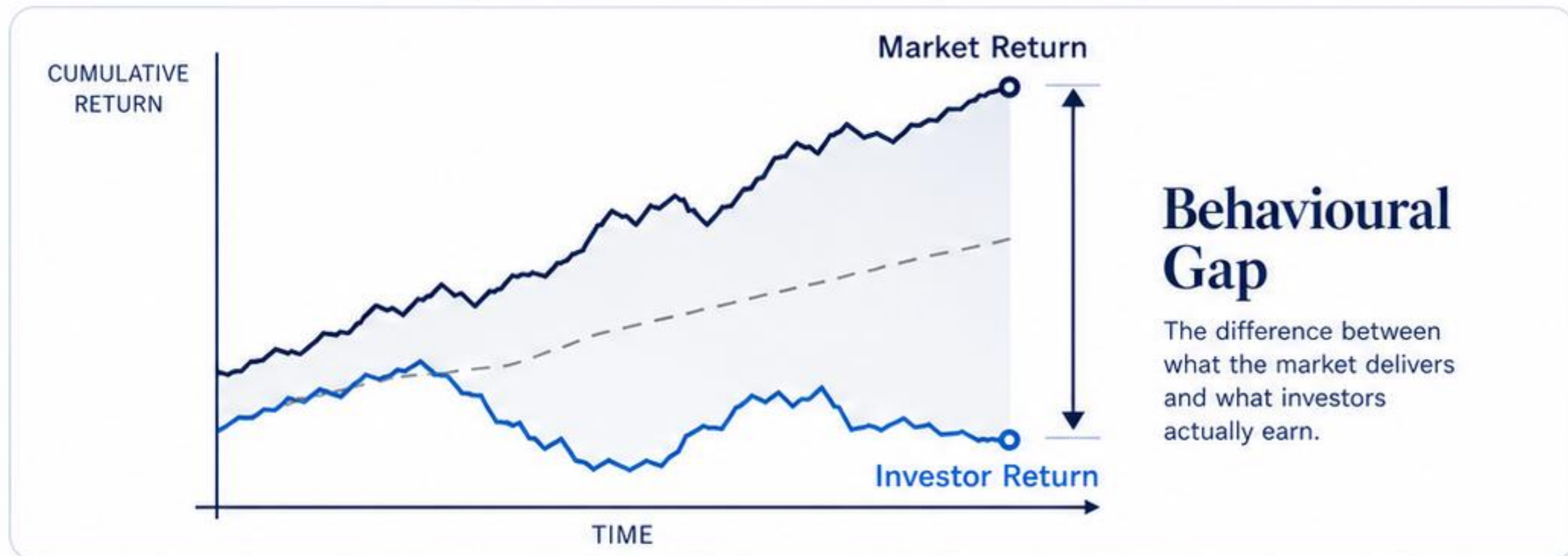
The problem is not SIP. The problem is interruption.

Read this blogpost to understand this better: <https://www.dspim.com/blog/investment-strategies/where-are-the-average-investors>

The Behavioural Gap

Disciplined behaviour is bigger than investing skill.

Systematic investments help remove the errors we make because of our biases.



COMMON BEHAVIOURAL BIASES THAT DRIVE THE GAP

- FEAR**
Leads to selling low and avoiding opportunities.
- GREED**
Leads to chasing returns and taking excessive risk.
- REGENCY BIAS**
Expecting recent trends to continue.
- OVERCONFIDENCE**
Leads to overtrading and ignoring risk.
- PANIC**
Leads to emotional reactions and poor timing.

THE SOLUTION

SYSTEMATIC INVESTING

A disciplined, rules-based approach helps remove emotional decision-making, keep you invested, and narrow the behavioural gap.

NARROWS THE GAP. IMPROVES OUTCOMES. BUILDS WEALTH.

THREE TAKEAWAYS



- 1. Process over emotion**
Decisions grounded in process outperform emotional reactions.



- 2. Consistency over prediction**
Markets are unpredictable. Your process shouldn't be.



- 3. Systems reduce bias**
Robust systems keep you disciplined and on track.



Why LargeCaps Over SMIDs

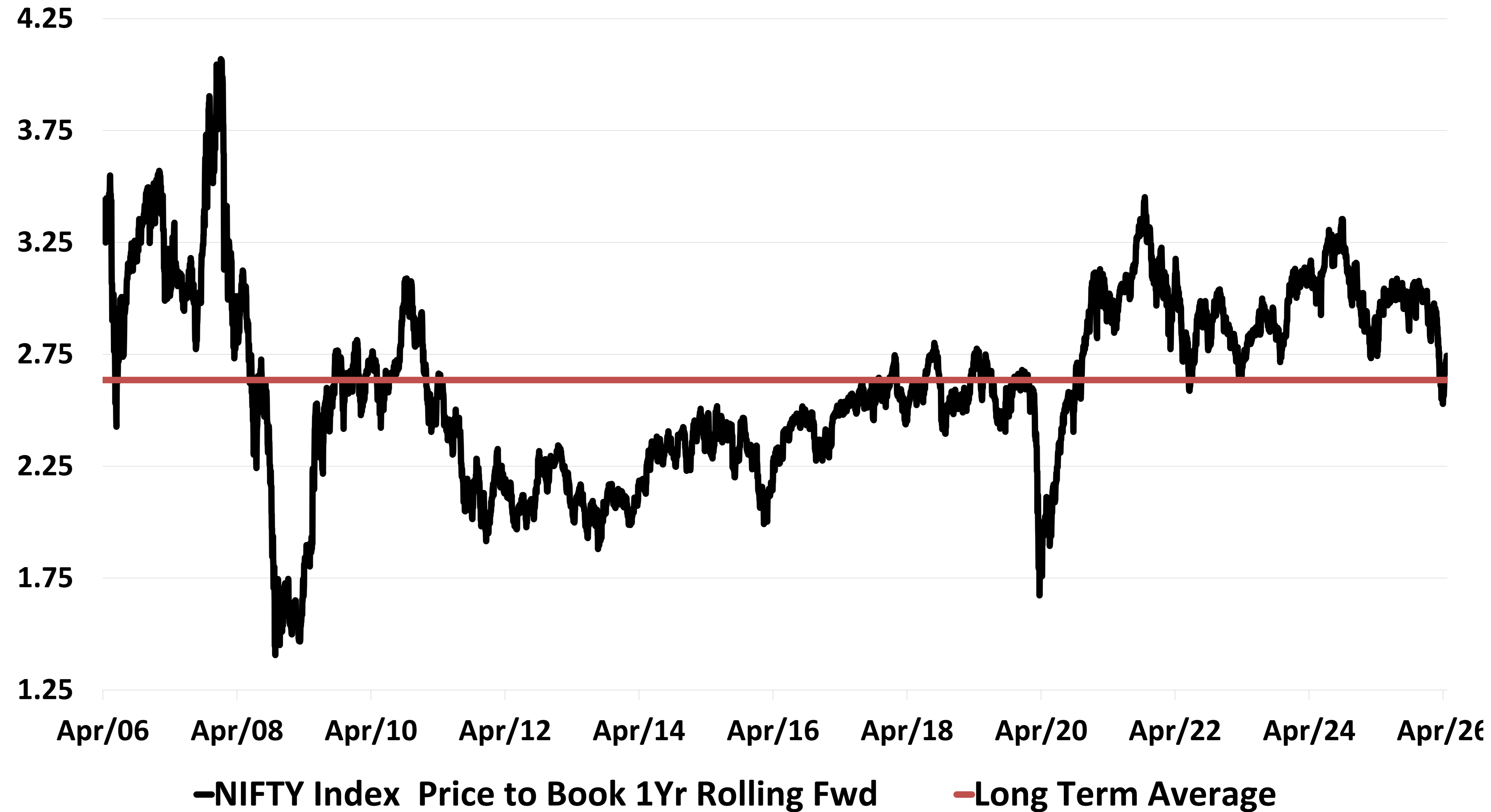
Nifty Index – A Dip Below Long-Term Average Valuations

Nifty's forward price-to-book has slipped below its long-period average. This is important because P/B is a more balance-sheet anchored valuation measure than P/E, especially when earnings are volatile.

Average valuations are not easy to find in real time. Long-term averages include crisis-level lows, and crises are not forecastable. When markets move below such averages, the signal is not enough to predict the bottom. The signal is to increase equity allocation within guardrails.

This is also not a peak-ROE valuation. Corporate ROEs in this cycle are yet to move meaningfully higher. That makes the current P/B closer to fair value today, and potentially more attractive if ROEs improve from here.

Nifty Price to Book Multiple Has Fallen Below Long Period Average



Why Pockets of Large Caps Over SMIDs

Largecap Valuation Summary	Current (April 2026)	Long term average	Bottom cycle (avg. of 2013, 2019)
Absolute valuations			
Trailing PB	3.4	3.6	2.6
Market cap to GDP	71%	63%	43%
1Y forward PE	19	17	13
Relative valuations to equities			
Relative to EM LCaps (1Y fwd PE)	70%	54%	25%
Relative to US LCaps (1Y fwd PE)	-14%	1%	-19%
Relative valuations to interest rates/growth			
Relative to India 10Y (Earnings yield minus bond yield)*	-1.5%	-1.4%	0%
1Y forward EPS growth	11%	10%	-8%
Trailing returns			
5Y trailing absolute returns (% , CAGR)	11%	11%	2%
5Y trailing relative to US LCaps returns (USD, % CAGR)	-6%	-6%	-11%

SMID Valuation Summary	Current (April 2026)	Long term average	Bottom cycle (avg. of 2013, 2019)
Absolute valuations			
Trailing PB	4.0	2.8	1.8
Market cap to GDP	37%	22%	12%
1Y forward PE	24	18	13
Relative valuations to equities			
Relative to India largecaps (1Y fwd PE)	27%	5%	-6%
Relative to EM SMIDs (1Y fwd PE)	69%	55%	15%
Relative to US SMIDs (1Y fwd PE)	40%	4%	-32%
Relative valuations to interest rates/growth			
Relative to India 10Y (Earnings yield minus bond yield)	-2.7%	-1.5%	1.0%
1Y forward EPS growth	14%	14%	-11%
Trailing returns			
5Y trailing absolute returns (% , CAGR)	17%	13%	-3%
5Y trailing relative to largecaps returns (% , CAGR)	7%	2%	-4%
5Y trailing relative to US SMIDS returns (USD, % CAGR)	4%	-2%	-10%

**India's Private Consumption Is In The Slow Lane.
But This Isn't The Time To Write It Off**

India's Private Consumption Is Cyclical, Currently At A Trough

FY06 to FY14 India's private consumption grew at nearly 15% average growth. This is one of the fastest periods of growth. It had an initial demand led surge which was met with a crushing financial crisis in 2008. To blunt the impact of the crisis, the GOI enacted a massive stimulus which went on for too long creating vulnerabilities. A spike in oil prices caused inflation to balloon, resulting not only in a demand-led surge in inflation but also persistently high price levels. The balance of payment crisis and fiscal challenges of 2013-14 resulted in a re-set and a clampdown of private consumption.

Repeated shocks of Demonetization, ILFS crisis & COVID has caused India's private consumption to be in the slow lane for many years now. Since FY18, PFCE has averaged just 10.4% on average, the slowest growth rate on record.

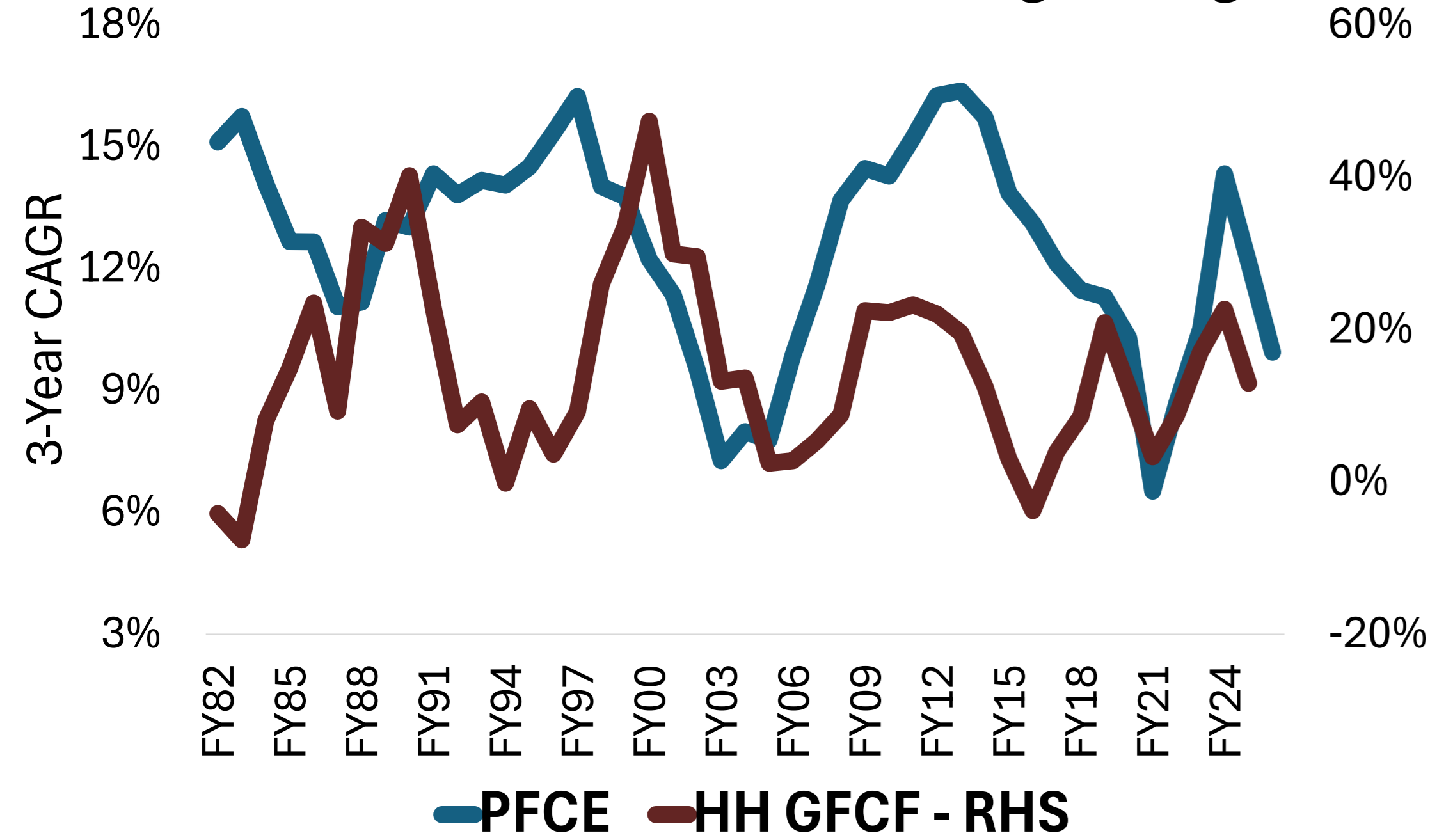
Like every other aspect of the economy, even private consumption is cyclical. Writing this off after a near decade of lull will be the biggest cyclical mistakes of our times.

India's Private Consumption Is Cyclical. It's Slow & Struggling, But Don't Write It Off.

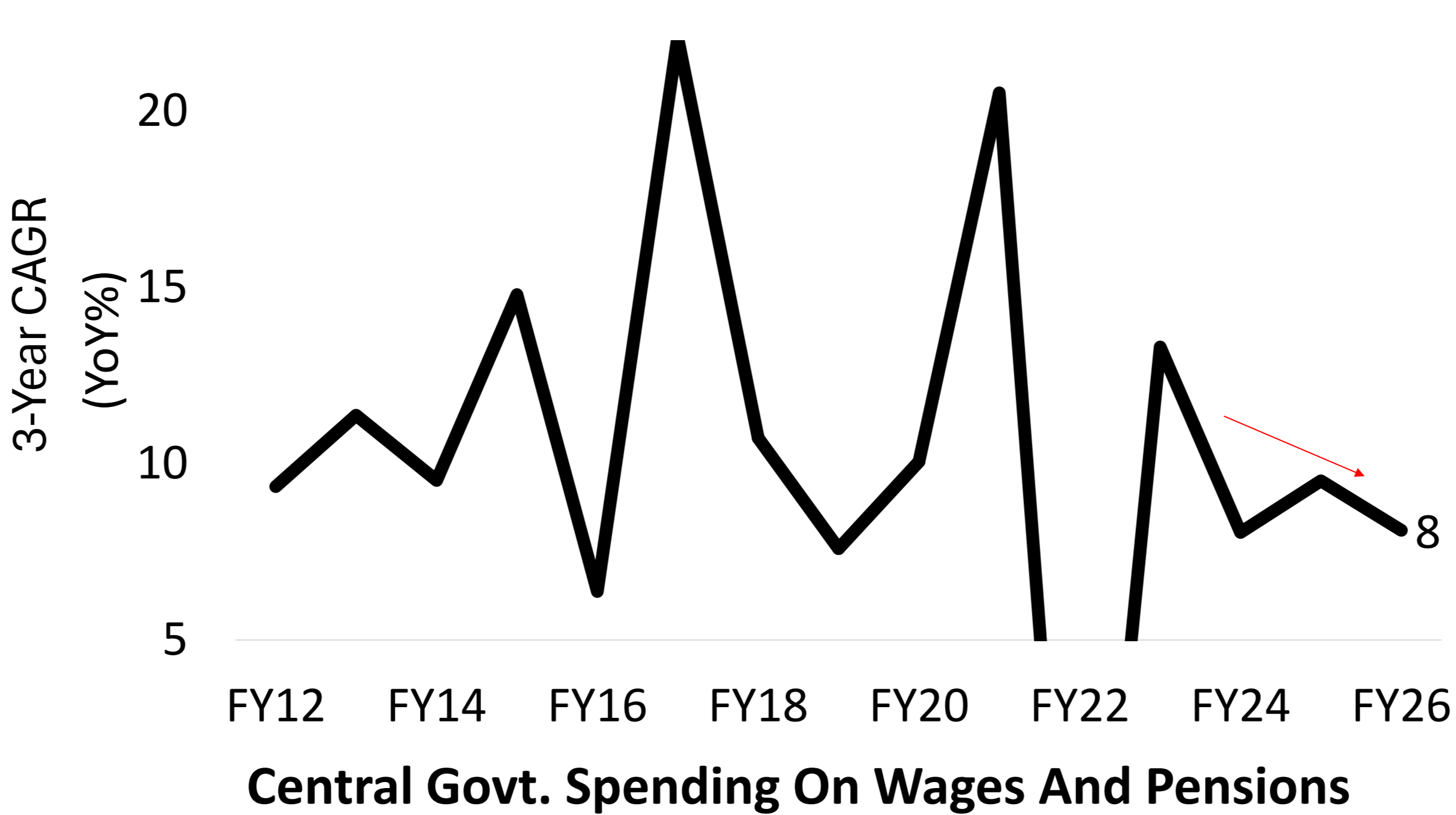
	FY71	6.1	FY81	22.2	FY91	14.9	FY01	7.2	FY11	17.3	FY21	-0.9
	FY72	7.9	FY82	14.9	FY92	14.9	FY02	8.9	FY12	17.5	FY22	18.6
	FY73	10.2	FY83	10.4	FY93	12.8	FY03	5.8	FY13	14.3	FY23	14.9
	FY74	20.6	FY84	17.1	FY94	14.6	FY04	9.3	FY14	15.3	FY24	9.7
	FY75	21.2	FY85	10.7	FY95	16.2	FY05	8.3	FY15	11.9	FY25	12.0
	FY76	2.3	FY86	10.4	FY96	15.3	FY06	12.1	FY16	12.1	FY26	8.2
FY67	16.5	FY77	4.0	FY87	12.2	FY97	17.3	FY07	14.6	FY17	12.3	
FY68	19.2	FY78	15.2	FY88	11.0	FY98	9.7	FY08	14.4	FY18	10.0	
FY69	0.1	FY79	8.8	FY89	16.4	FY99	14.5	FY09	14.4	FY19	11.7	
FY70	8.2	FY80	8.6	FY90	11.7	FY00	12.5	FY10	14.0	FY20	9.3	
Avg	11.0	10.5	13.7	14.3	10.9	13.2	10.4					

The Drag: Weak Incomes, Weak Housing, Weak Labour Sectors

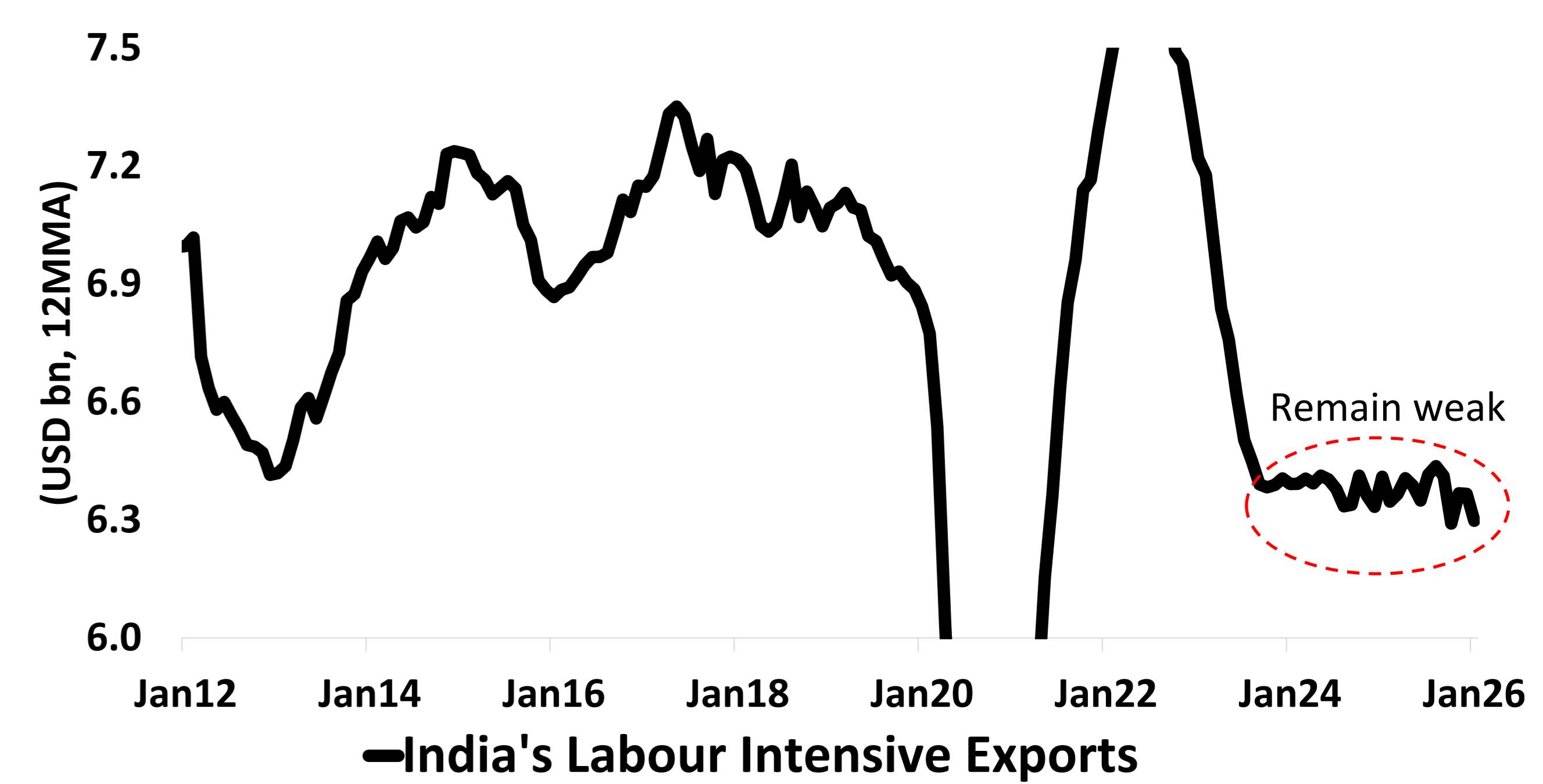
Households Are Not Building Enough



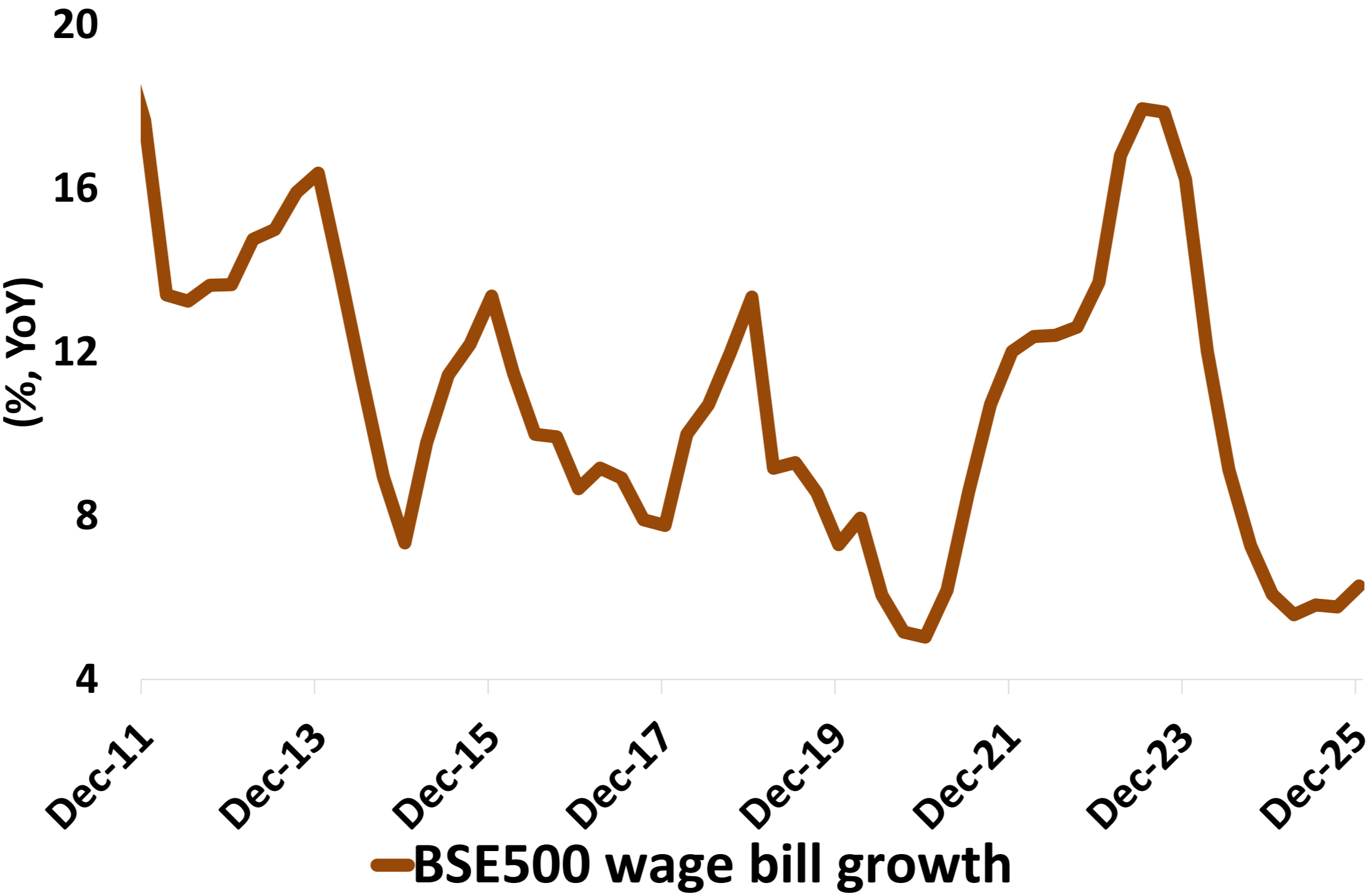
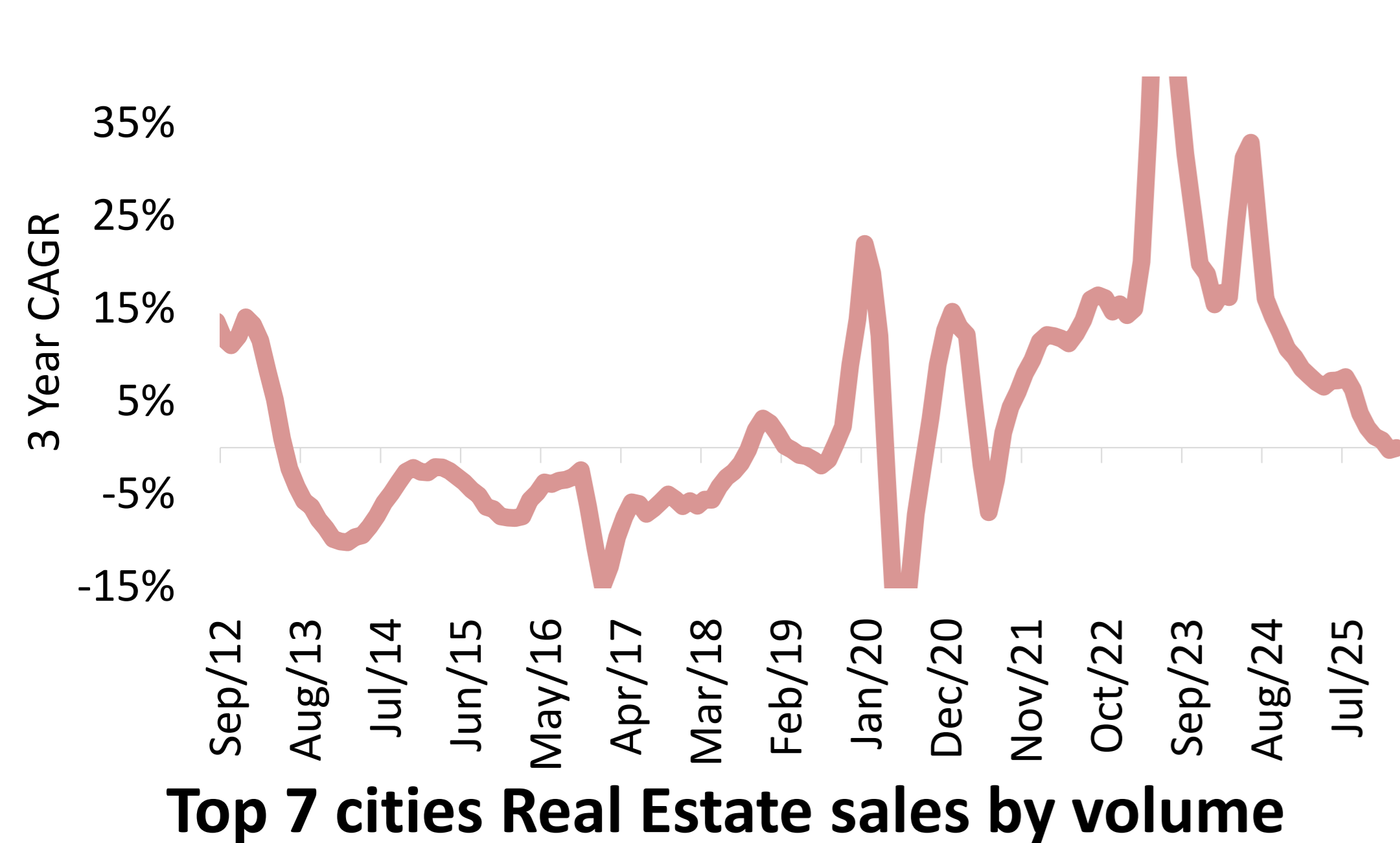
Wage Growth Is Slow, Normalization Required



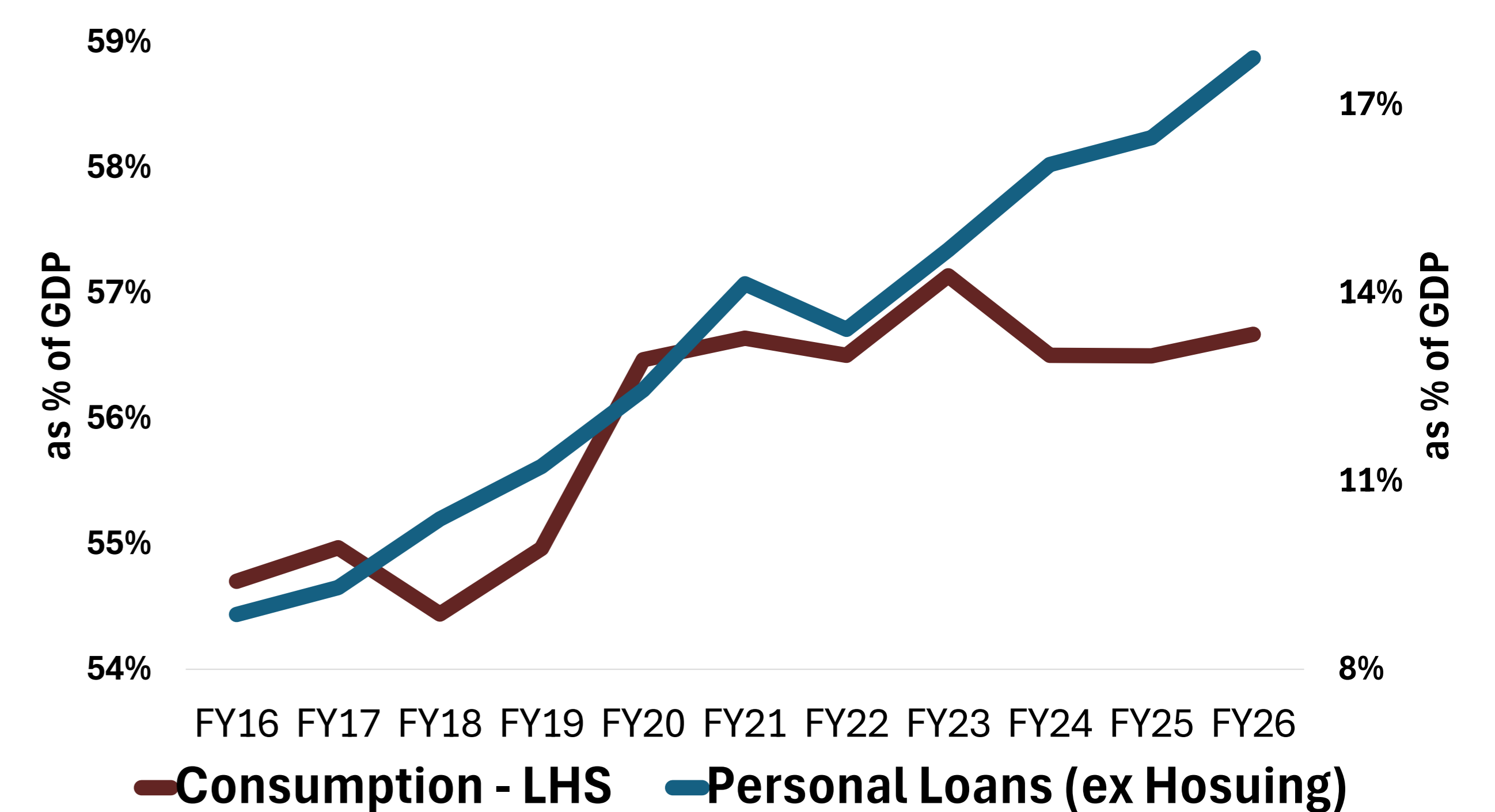
Labour Intensive Sectors Are Lagging



Construction Activity in RE Is Weak



Consumer Credit Has Been An Income Substitution Tool



What Is Holding Up: Credit And Upper-End Consumption

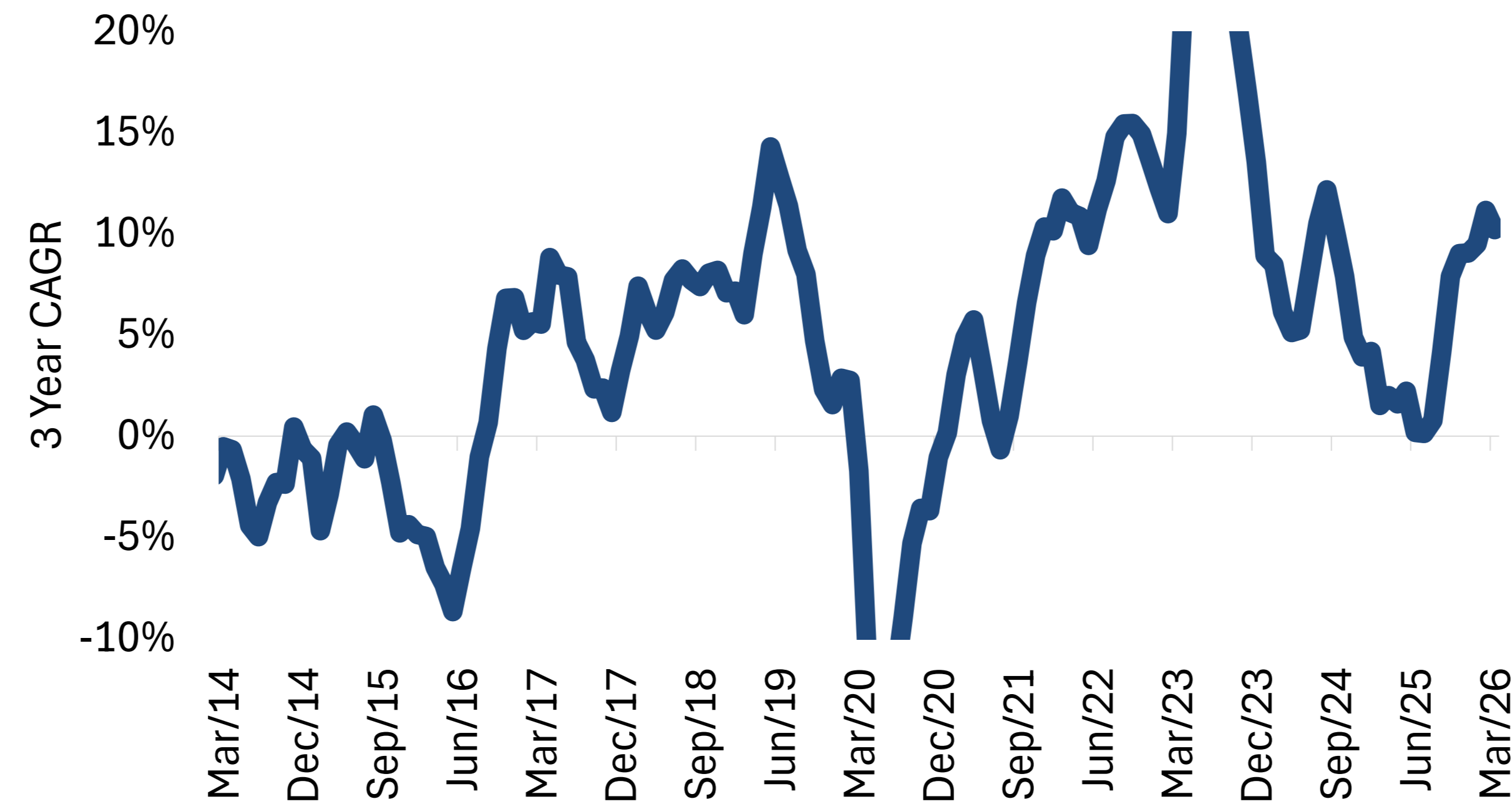
Poor wage growth, weak growth in labour intensive exports and lower Govt spend has been consumption weak. This is visible in poor outcomes like subdued household spends on housing and income substitution on lifestyle goods using personal loans.

Although consumption is weak, but not collapsing. Non-oil imports, UV volumes, personal loans, and credit growth show that parts of the household sector are still spending. The support is more visible in urban, formal, and higher-income categories. This matters because it shows that the consumption machine is not broken. It is uneven.

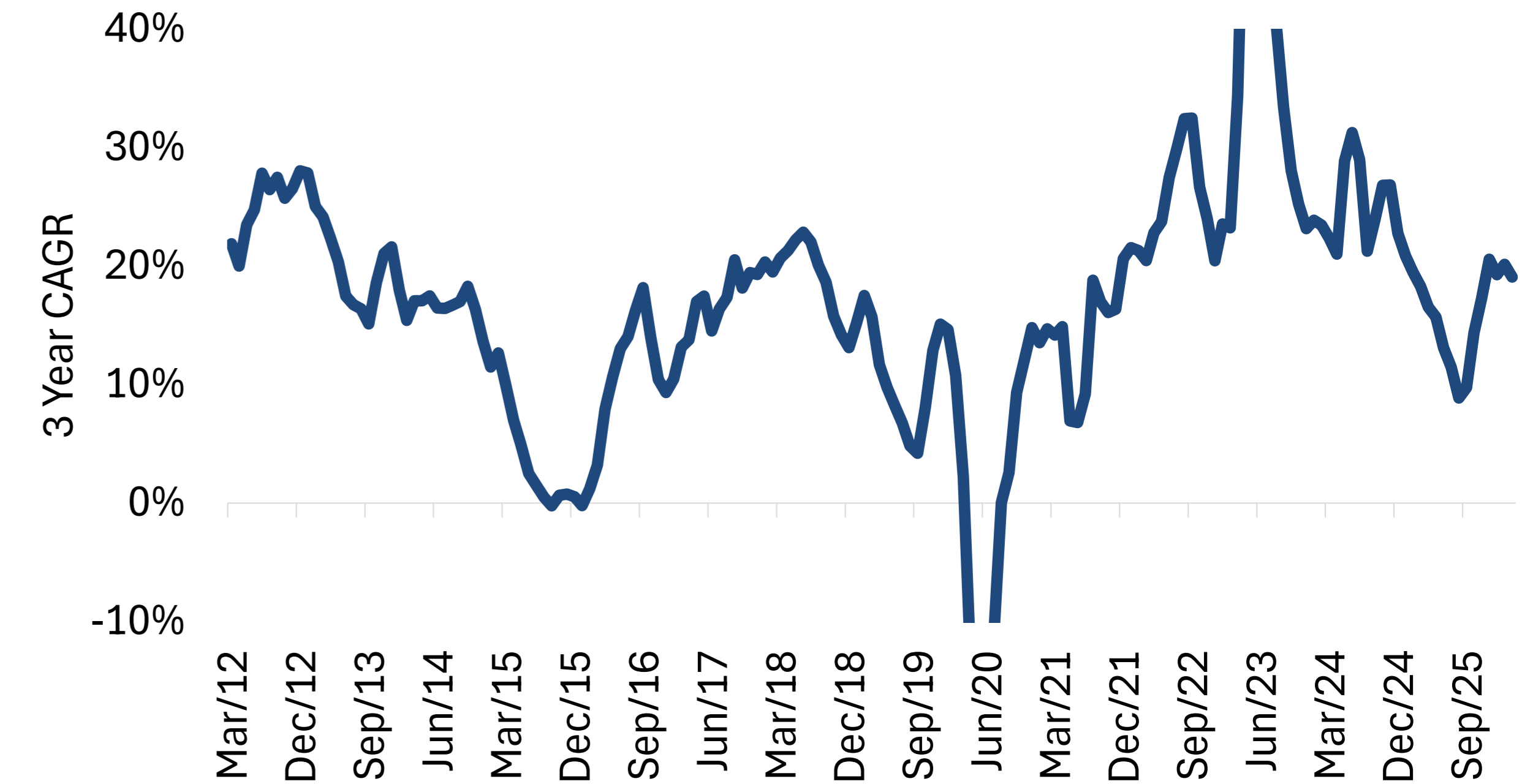
The next phase needs this resilience to broaden from premium discretionary demand to mass income-led consumption.

Broad income growth with pick up in construction and services can prop up the consumption cycle.

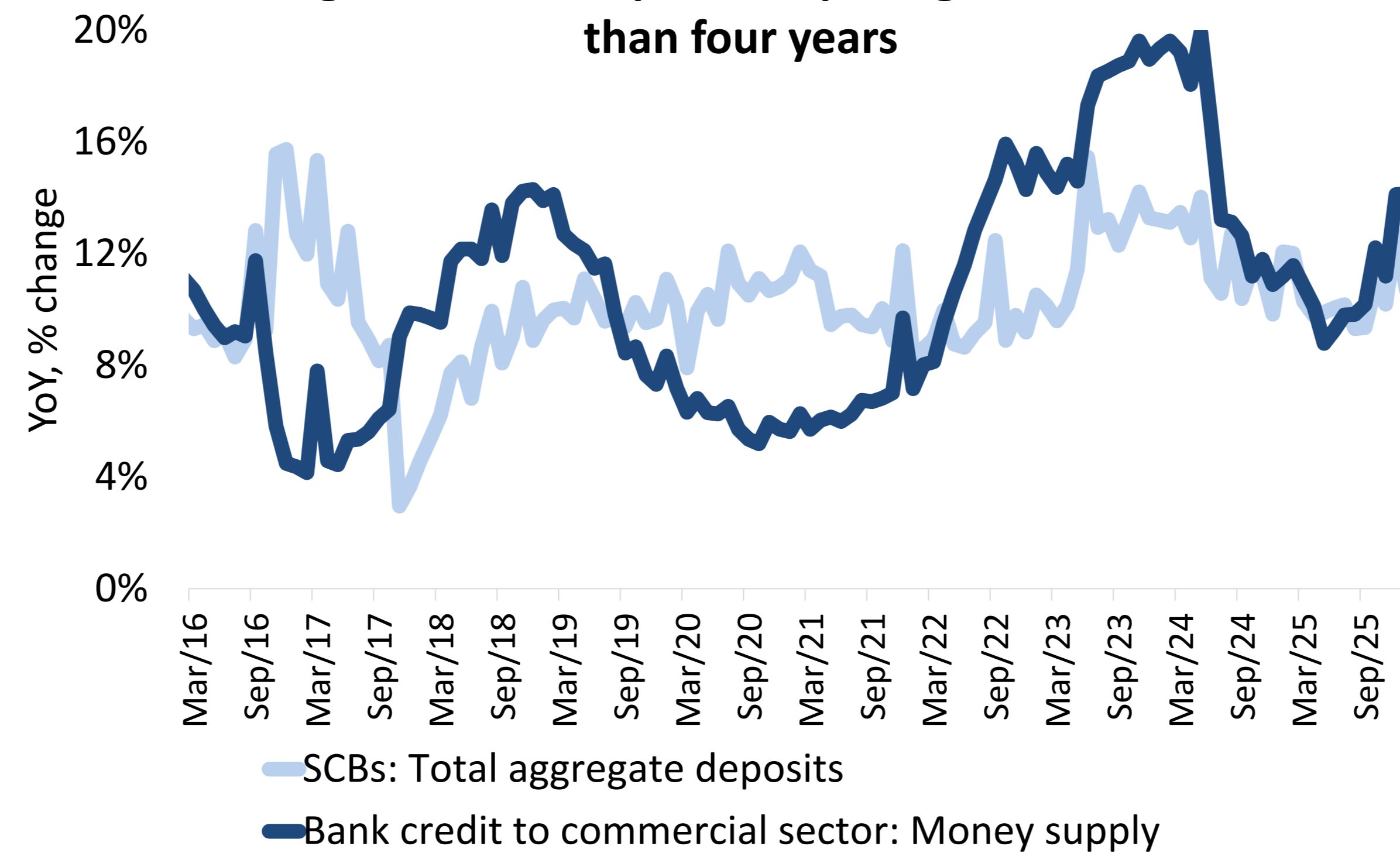
Non-oil Imports



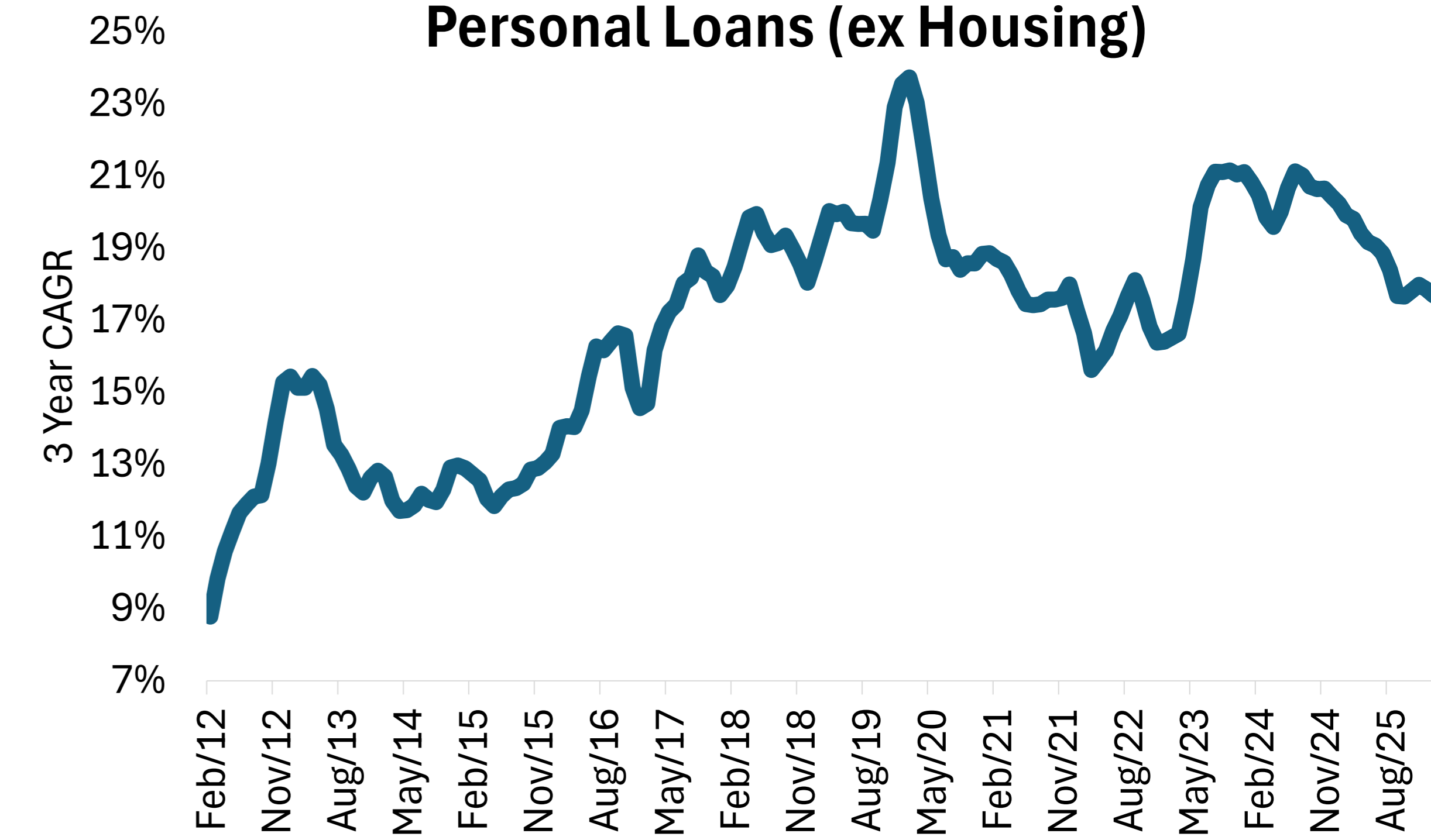
UV Volumes Sales Volume



Loan growth has outpaced deposit growth for more than four years



Personal Loans (ex Housing)



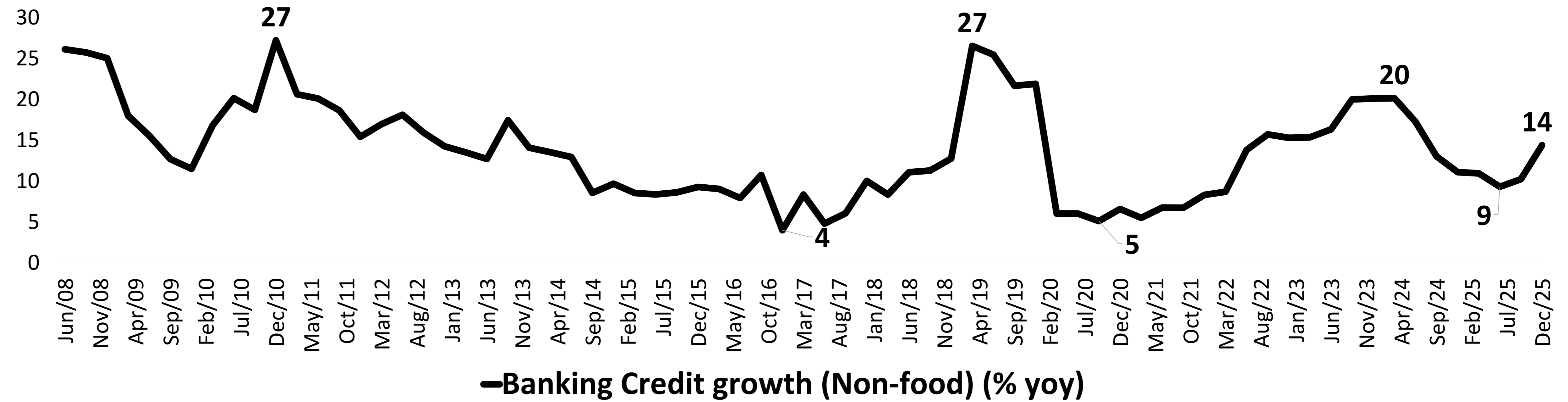
The Turn Needs Credit, Rates, And Income Confidence

The financial system is no longer the constraint. NPAs are benign. Banks can lend. Credit growth has improved. This creates the possibility of a cleaner consumption recovery than the previous leverage-led cycle. But credit alone is not enough. The RBI needs to keep financial conditions supportive and rates low across the curve. The government may need to sustain infrastructure spending to support jobs and incomes. If income confidence improves, PFCE can become the missing demand signal for capex, asset turns, and the next ROE cycle.

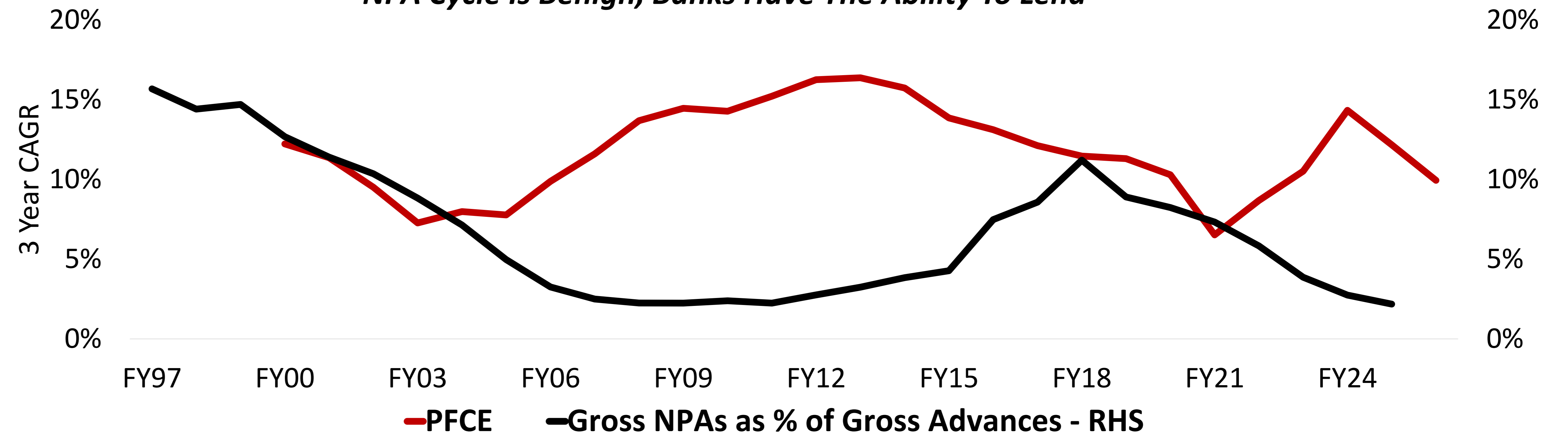
One way to do it is a sharp focus on urbanization and massive infrastructure buildout. This is likely to spur overall economic activity and income growth.

Historically, a combination of a strong capital expenditure cycle and benign interest rates have revved up the consumption cycle for sustainable periods of time.

Credit Growth Is Improving



NPA Cycle Is Benign, Banks Have The Ability To Lend



Corporate India is Ready.
The Catalyst for Next Cycle: Demand Visibility

Why ROEs Remain Below the Last Peak

The last ROE peak was a three-engine cycle: margins expanded, assets turned faster, and leverage amplified returns. The current cycle has been a one-and-a-half-engine cycle: margins improved, operating leverage helped, but asset turns and financial leverage stayed subdued.

This reflects a more disciplined corporate sector. Companies repaired balance sheets, reduced debt, and sweated existing assets rather than committing to aggressive greenfield capex. That made the cycle cleaner, but also less powerful.

For ROEs to move back towards the last peak, India needs broader demand visibility, especially from private consumption, higher capacity utilisation, lower cost of capital, and corporate balance sheets willing to expand again. Until then, India remains a high-ROE market, but high valuation still needs earnings momentum to justify itself.

ROE of NSE 500 (Ex-Financials)

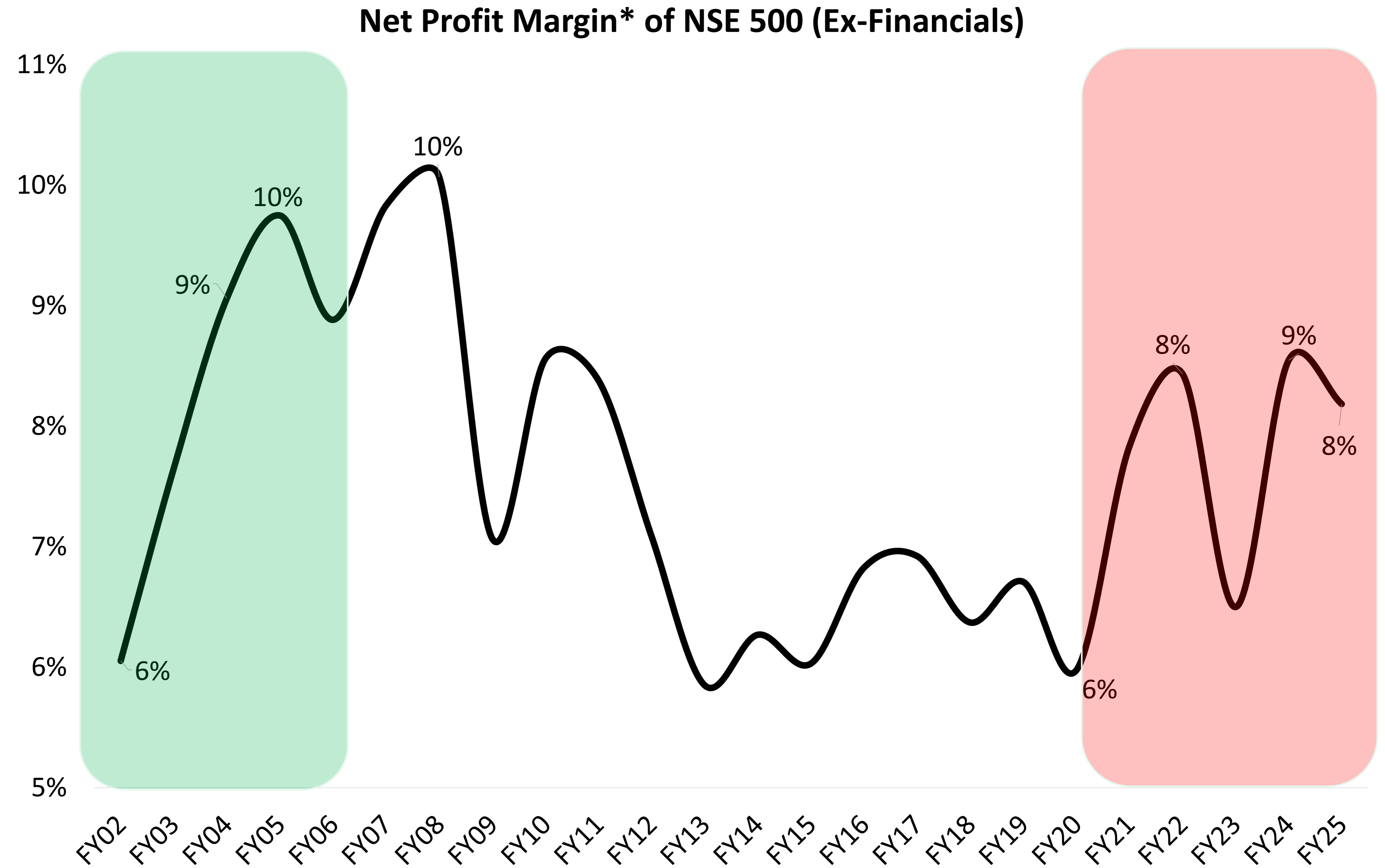


Margins Recovered, But Not Like 2003–07

Margins explain part of India's ROE recovery, but not enough to recreate the 2003–07 cycle. In the previous bull market, corporate India entered the upcycle after years of restructuring. Costs had been cut. Capacity had been rationalised. Operating systems were leaner. When demand revived, revenues rose on a lower fixed-cost base. Sales growth converted quickly into profit growth. Margins expanded sharply.

The post-COVID cycle is different. Margins have improved, but the improvement has been more measured. It reflects efficiency, lower corporate stress, commodity normalisation, and selective pricing power. It does not yet reflect a broad demand boom. Without stronger topline growth, margin expansion alone cannot take ROEs back to the previous peak. For that, India needs margins, asset turns, and balance-sheet expansion to work together.

So far, corporate India has chosen discipline over aggression. Balance sheets have been repaired. Debt has been reduced. Capacity addition has been selective. This is not irrational. It reflects the scars of the last capex cycle and weak visibility on private consumption. PFC weakness may therefore be an important signal. If households do not spend strongly, companies have little reason to expand capacity aggressively.



The Missing ROE Driver: Asset Turns

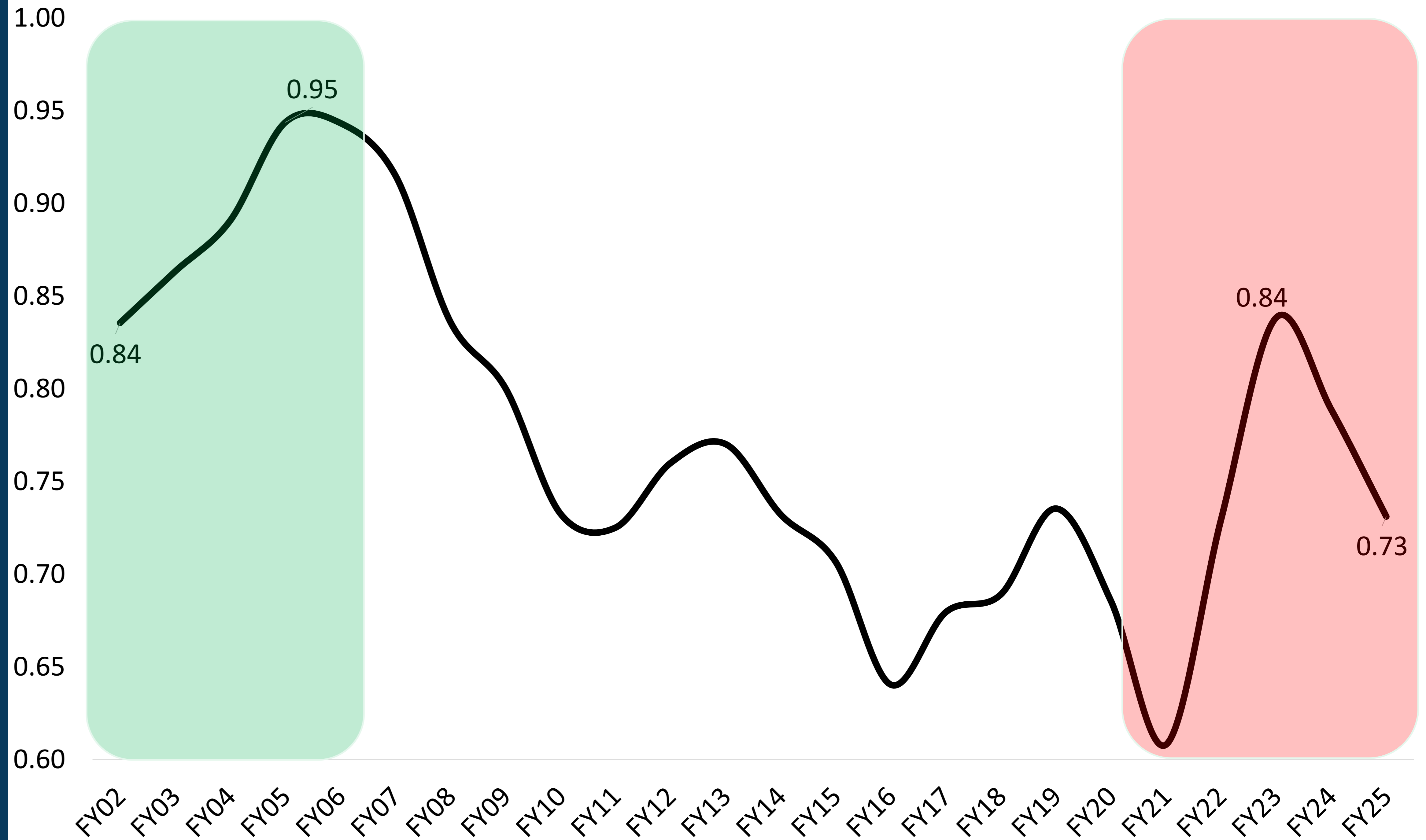
Asset Turnover Ratio = Net Revenue / Total Assets

If margins explain why ROEs recovered, asset turns explain why they did not return to the last peak. In the 2003–07 cycle, demand accelerated against an already installed asset base. Capacity utilisation rose sharply in sectors such as steel, cement, automobiles, and capital goods. Revenues grew faster than assets. This pushed up the asset turnover ratio and became a powerful second driver of ROE.

The current cycle is different. Corporate India has improved profitability, but topline growth has not been broad or strong enough to lift asset turns meaningfully. Companies have largely focused on sweating existing assets, improving efficiency, and adding capacity selectively. This is rational after the scars of the last capex cycle, but it also limits the ROE upside. The sweating of existing asset wasn't enough in absence of strong consumption recovery because topline didn't witness an acceleration.

For asset turns to become an ROE driver again, India needs stronger private consumption, higher capacity utilisation, and a broader investment cycle. Without demand visibility, companies will not expand capacity aggressively. And without faster revenue growth on the existing asset base, ROEs can improve, but they are unlikely to revisit the last cycle's peak.

Asset Turnover of NSE 500 (Ex-Financials)



Leverage Did Not Amplify This Cycle. Corporate India Has Gone Too Lean.

Equity Multiplier = Total Assets / Total Equity

The third missing driver of ROE is financial leverage. In the 2003–07 cycle, improving demand, rising profitability, and stronger business confidence encouraged companies to expand balance sheets. Assets grew. Debt-funded capex increased. The equity multiplier supported ROE. This added a financial leverage engine to the margin and asset-turn cycle.

The post-COVID cycle has been very different. Corporate India has used stronger cash flows to repair balance sheets, reduce debt, and fund selective capex. This has improved resilience, but it has also meant that financial leverage has not amplified shareholder returns. The cycle has been cleaner, but less powerful.

This is not a weakness by itself. Lower leverage reduces fragility. But if ROEs have to move back towards the previous peak, balance sheets may need to shift from repair mode to growth mode. That requires three conditions: stronger demand visibility, lower cost of capital, and lender balance sheets willing to fund the next investment cycle.

Equity Multiplier of NSE 500 (Ex-Financials)



Balance Sheets Are Now Cycle-Ready

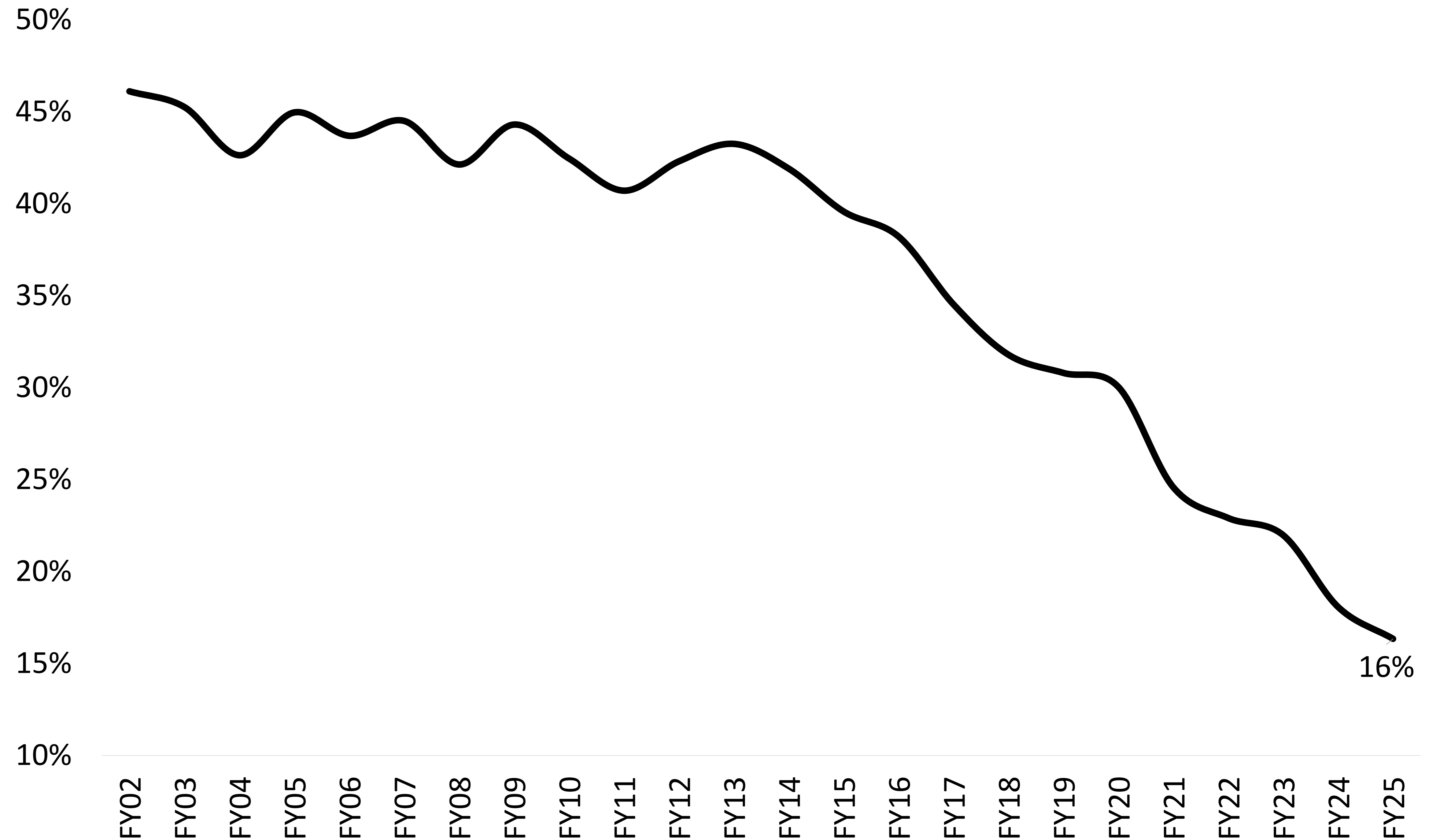
Corporate India is cycle-ready. Debt is low. Balance sheets are clean. Banks and lenders are healthier. The system now has the ability to borrow, lend, and fund a new investment cycle. Unlike the post-2011 period, balance-sheet stress is not the main constraint.

The constraint is demand visibility. Companies do not build capacity only because they can borrow. They build when they believe future demand can absorb that capacity. A sustained improvement in Private Final Consumption Expenditure may therefore become the key signal for the next capex and ROE cycle.

Policy will matter. The RBI may need to keep financial conditions supportive and ensure that lower rates transmit across the yield curve. The Government of India may also need to sustain infrastructure spending so that public capex keeps crowding in private capex.

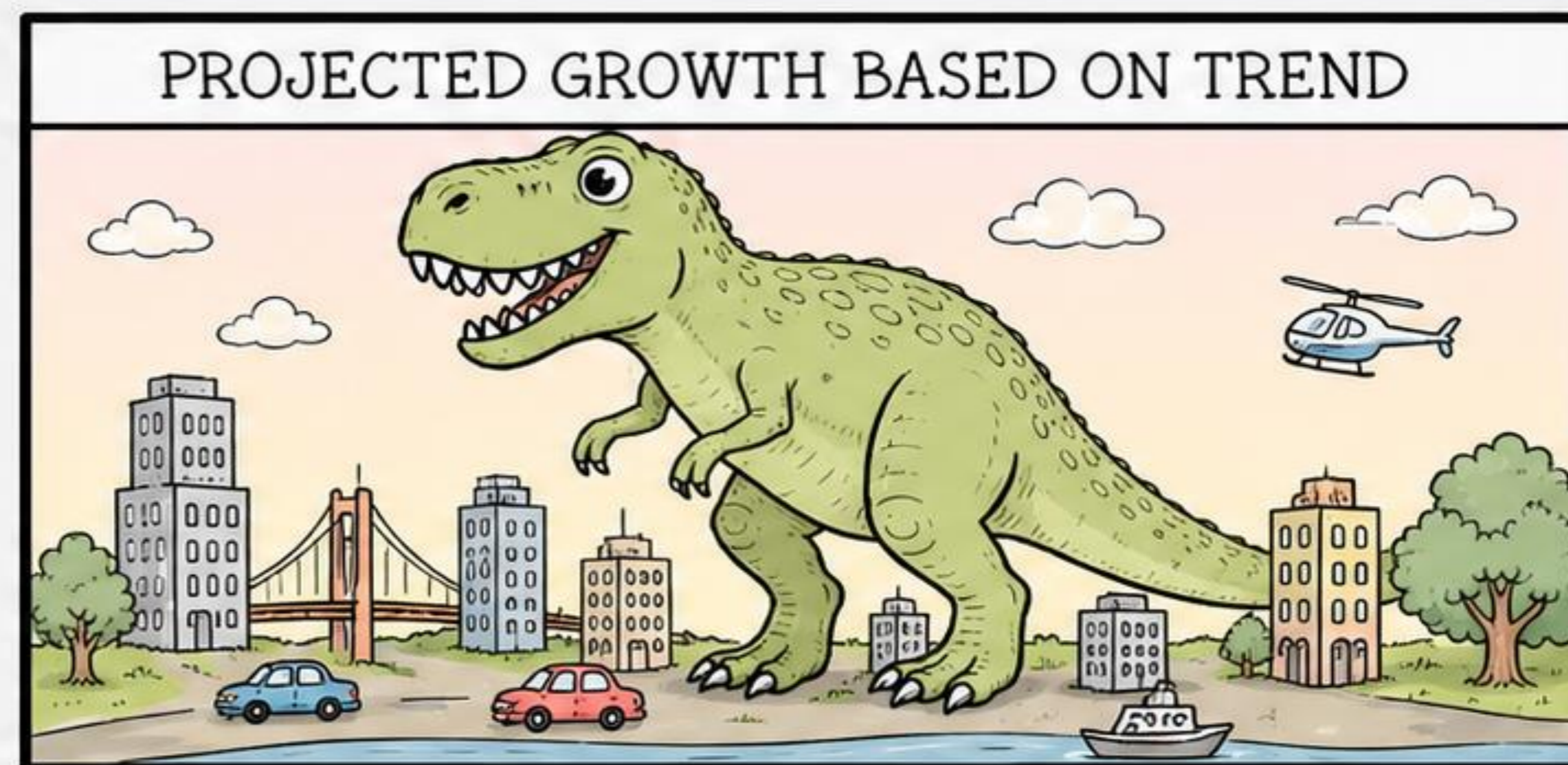
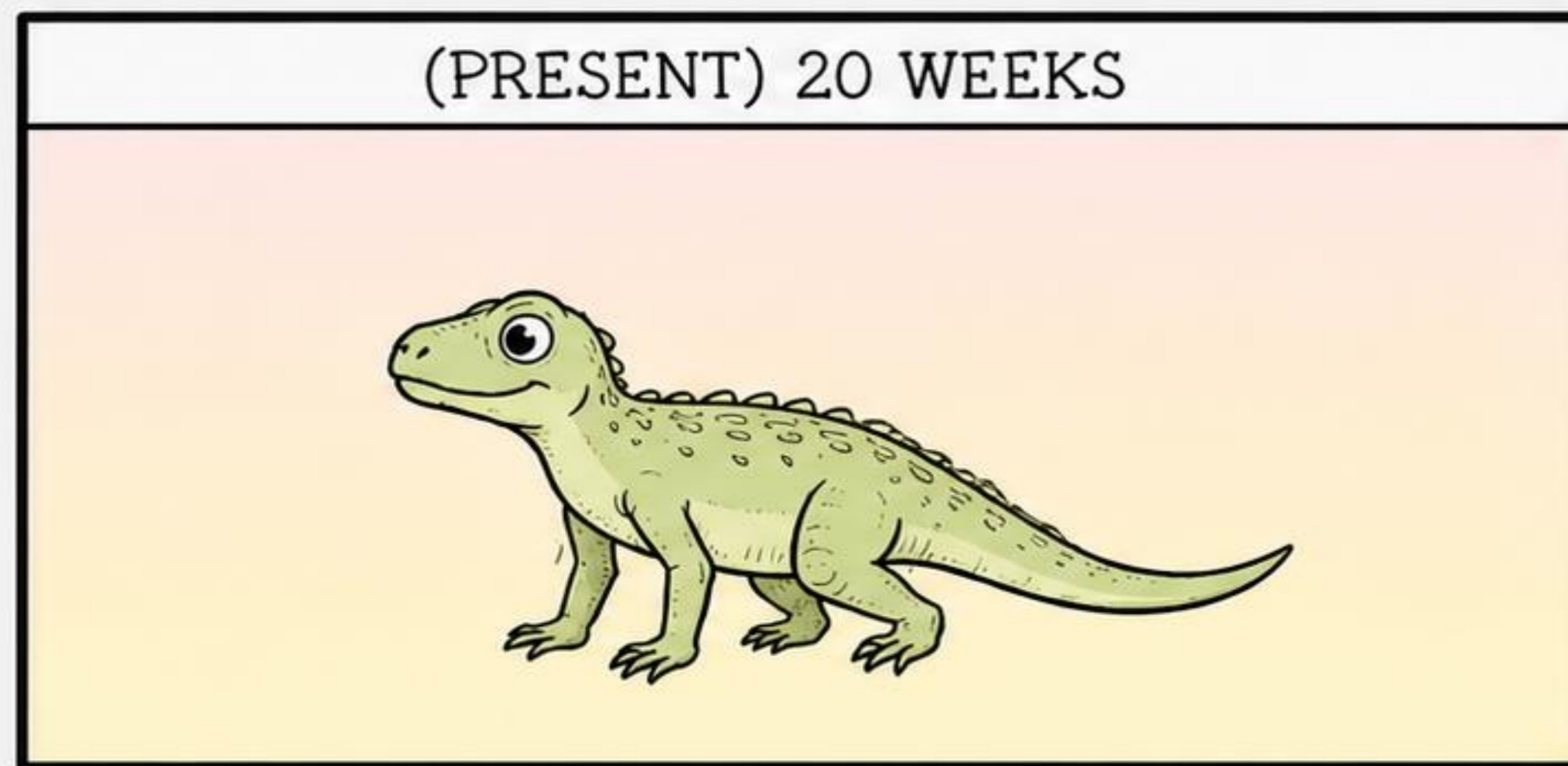
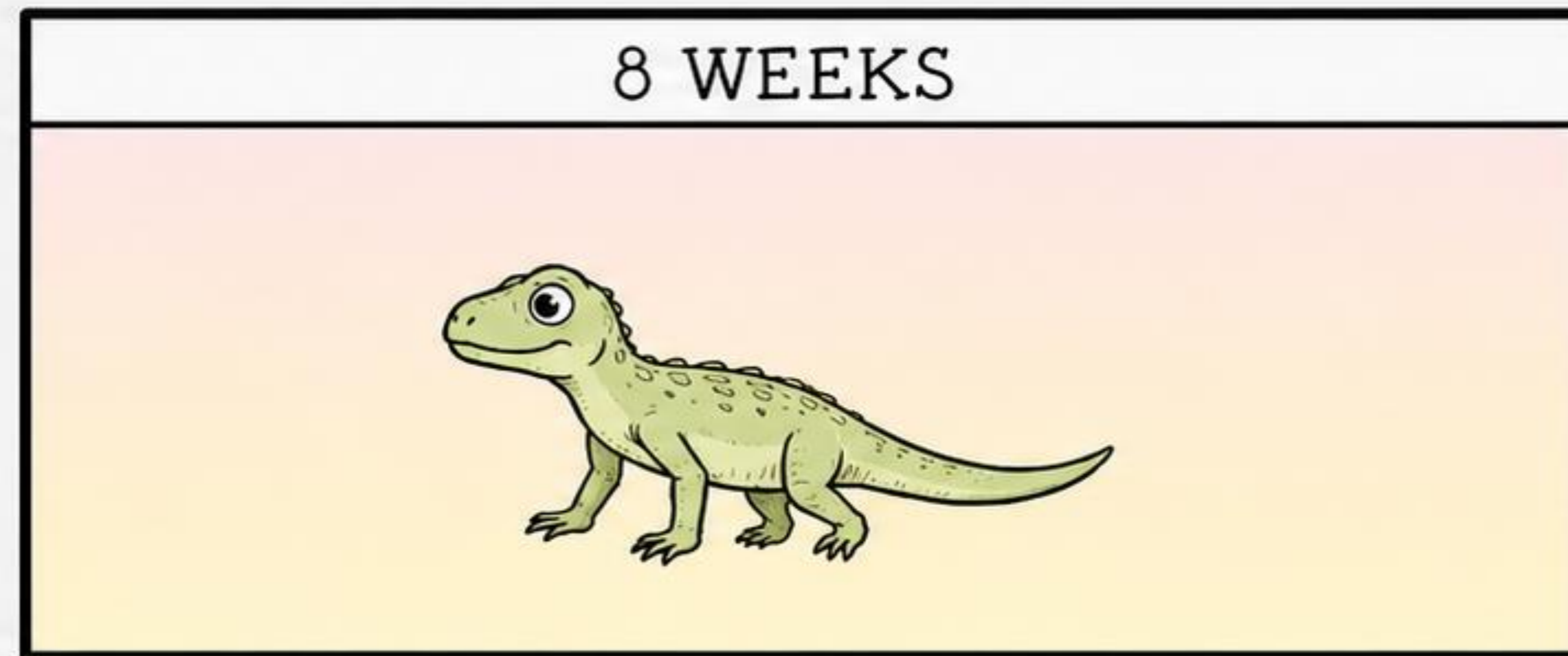
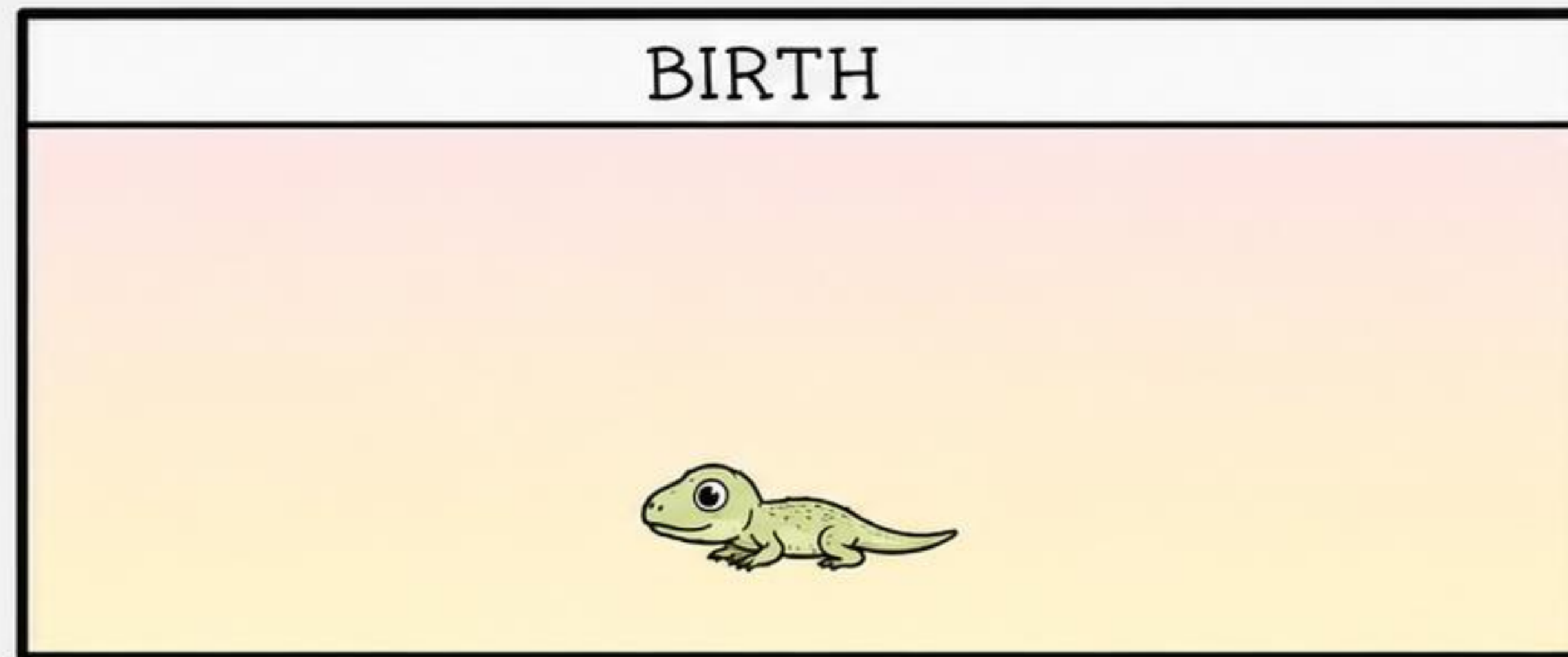
If consumption improves, rates remain supportive, and public infrastructure spending continues, clean balance sheets can move from repair mode to expansion mode. That is when asset turns, leverage, and ROEs can get a stronger second leg.

Median Debt to Assets



The Error of The Linear Extrapolation

Every absurd forecast starts with a reasonable trend.
The mistake is rarely the first step. It is the uncritical extension of that step.





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