

How investors can best pursue wealth in Vikram Samvat 2082

[Devina Mehra](#) | 23 October 2025



Once the asset allocation has been decided, don't tinker around with it every so often. (An AI-generated image)

SUMMARY

Equity investors can finally take heart. A consumption revival is likely to show up in third-quarter corporate earnings, making valuations look reasonable. What investors should be wary of is the dazzle of options like gold that soared this year but don't promise to keep rising.

In the 14 months I have been writing this column, I felt compelled to address current market conditions [only once before](#). In 'Stay put or exit? What should investors do in this market slump,' (27 February 2025), I wrote, "In short, currently it is time to remain invested. All the data on compounding you see happens only if you remain invested" The Nifty closed February at a little above 22,100. It is up over 17% since then.

The new Samvat is as good a time as any to address the question of what to do now. First off, how is the market poised in terms of earnings and valuation fundamentals?

Consumption has been accelerating. Growth in private consumption across the Indian economy had reached a 21-year-low in 2023-24, when I was among the few pointing it out, because the stock market was still zooming.

It's only when the market started falling in September 2024 that talking heads on TV suddenly discovered a consumption slowdown. By this time, it had already begun to go up. Consumption has picked up both in urban and [rural](#) India, which is good news for most corporate earnings.

Another key factor has been the fall in consumer price inflation to historic lows. Not only has inflation dropped, the actual prices of some items have fallen too, especially in the food basket.

A year or two ago, high food prices were crowding out even everyday products like shampoo and soap from [household](#) budgets. Now there is significantly more room for spending, which is good news for corporate revenues.

Another positive development which can provide a margin boost is the fall in crude oil prices and consequent price fall in downstream petrochemicals that are inputs for many industries.

So, on aggregate, there was a positive outlook for both revenues and margins even before the GST rate cuts. It was my call then that you'd see significant improvement in earnings in the second quarter (July-September) of 2025-26. However, while GST reduction is positive for consumption and corporate earnings, the reset meant uncertainty, which made consumers delay purchases. Plus, even after the tax cuts were announced, it took some time for companies to sort out pricing issues for pipeline inventory with distributors, dealers and retailers. This resulted in some loss of sales in the second quarter, to be made up in the third. An earnings acceleration is thus likely in the October-December quarter that's underway.

Now for valuation ratios, including the much used and abused price-earnings (PE) ratio. It doesn't make sense to look at the index PE, as that is skewed by just a few companies. Also the composition of indices has changed vastly over the years, even in terms of the sectors represented, so a historical comparison could be an apples and oranges one.

To give only two examples: banks and financials had zero weightage in the main indices 20-25 years ago, but they now have the heaviest. In the late 90s, the Sensex and Nifty had huge weights for public sector units (PSUs) and then there came a time when people forgot that PSUs could even be invested in.

Nevertheless, the current Nifty PE of 22x is lower than last decade's average of 24x and is at around the same level as its 25-year average. That too in spite of distortions introduced by the high PE of stocks like Eternal, some financial services, Trent and Titan, with PE multiples in the range of 93-400x.

Most sectoral indexes are also trading well below their long -term averages. These include IT, infra, metals, banks, and FMCGs, most of which have corrected in the past year. The two industries where our [portfolios](#) are overweight, autos and pharma, are also below their historical PE averages. Even taking a longer-term picture, sector-wise PEs are mostly not at extreme ends for most industries right now.

The PE ratio itself is a crude valuation measure, as several underlying factors determine the 'right' PE even for a single company—including the firm's

earnings growth, cost of capital, equity risk premium and return on capital employed. For those who want to understand this in detail, there's a chapter in my book *Money Myths and Mantras* that explains these drivers.

The other point is that today's relatively reasonable PE ratios are being calculated on decidedly sluggish earnings. As explained above, the earnings themselves are poised to expand from the October-December quarter, which means that the calculated PEs would begin to look more reasonable.

In terms of action points: Stay invested to the extent of your India equity allocation. Do not chase a category or asset class that has done well of late; this includes gold. I have written a column earlier on gold explaining how it has been more volatile than equities and has seen bigger draw-downs. The 1980 high of gold in dollar terms was not crossed again for the next 27 years. As for global investing, go beyond the US market. Also, go with fund managers who have a proven track record. But once the asset allocation has been decided, don't tinker around with it every so often.

This may sound like boring advice that I repeat often. But doing these boring things right is how you respect Lakshmi Ma, the goddess of wealth.

The author is chairperson, managing director and founder of First Global and author of 'Money, Myths and Mantras: The Ultimate Investment Guide'. Her X handle is @devinamehra