

Coal India at ₹120, Paytm at ₹2,150: the price was the risk

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Maxim: *Always demand a margin of safety.* — Benjamin Graham

Graham boiled sound investing down to three words. Two Indian stock stories from the same pandemic years show why the price you pay is the one part of the bet you control.

A good business bought at the wrong price can be a bad investment. An unloved one bought cheaply can be a very good one.

In mid-October 2026, HDB Financial Services, HDFC Bank's lending arm, reported a 34% rise in quarterly profit. It was 2% below one broker's estimate, and bad loans had ticked up. The shares fell about 16.65% in three sessions to a record low of ₹507 on 16 October, [Business Today reported](#). Investors who bought at the July 2025 IPO paid ₹740, and those who bought on listing day paid ₹835, [PTI recorded](#). The business is growing. The price had assumed it would grow faster and more smoothly.

That is what happens when a stock has no cushion. A small disappointment is not absorbed; it is passed straight to the shareholder.

Two stocks, two prices

November 2021 was a confident month. Paytm's parent, One 97 Communications, sold shares at ₹2,150 in an issue of about ₹18,300 crore, at the time India's largest IPO. The company had lost ₹1,701 crore in the previous financial year, according to its offer details summarised by [Chittorgarh](#). On listing day, 18 November, the shares closed near ₹1,560. By May 2024, after the regulator's action against its payments bank, they touched ₹310, [Business Today noted](#). The shares have since recovered a long way, closing at ₹1,693.50 on 16 October 2026, per [5paisa](#). Nearly five years on, an IPO investor is still below cost.

A year earlier, few investors wanted a coal miner. In November 2020, Coal India traded around ₹120, close to its 52-week low of ₹109.55, and its previous year's dividend of ₹12 a share implied a yield of nearly 10% at that price, [Goodreturns calculated](#). On 16 October 2026 it closed at ₹417.20, still at about eight times earnings, according to [Sharpely](#). Shareholders were also paid dividends all along.

Be honest about luck. Coal India was helped by the 2022 energy shock, which nobody buying in 2020 could have predicted, and Paytm was hit by a regulatory blow that was not obvious in 2021. But that is exactly Graham's point. The cheap price did not predict the energy shock. It meant the buyer did not need one to do well, and could have survived a bad turn instead.

Three words, and a bridge

In chapter 20 of *The Intelligent Investor*, Benjamin Graham wrote that if he had to distil the secret of sound investment into three words, he would choose "margin of safety". The cushion exists to absorb the effect of miscalculations or worse-than-average luck, and it is always dependent on the price

paid, as [Novel Investor's extracts](#) of the chapter show. For a bond, Graham located the margin in a company's past ability to earn well in excess of its interest bill.

Warren Buffett gave the idea its most memorable image in his 1984 talk on [the superinvestors of Graham-and-Doddsville](#). You do not buy a business worth \$83 million for \$80 million, he said; you leave yourself an enormous margin. "When you build a bridge, you insist it can carry 30,000 pounds, but you only drive 10,000 pound trucks across it."

The principle is not limited to shares. In June 2020 Austria sold a 100-year bond paying a coupon of 0.85%. By December 2020 investors had bid its price above 135, leaving a yield of about 0.35% a year for a century. When interest rates rose, there was nothing to absorb the shock. By late September 2023 the bond traded near 35, about 75% below its peak, [Investire Oggi reported](#). A government that will almost certainly pay its debts still handed buyers a stock-market-sized loss, because they had paid a price that left no room for error.

The long-run Indian data back Graham, with an honest catch. Cheap stocks have beaten expensive ones by about 6.6% a year since 1994, according to the Indian value factor maintained by [IIM Ahmedabad](#). But the [same data](#) show stretches when cheap lost badly, including a slide from early 2018 to early 2022. A margin of safety protects you from disaster. It does not promise to make you look clever every year.

Building the cushion yourself

A margin of safety is not a formula. It is a habit of separating two numbers that markets constantly blur: what something is worth, and what it costs today.

Start with value on cautious assumptions: the profits a business has actually earned, not the ones in a presentation. If the price only makes sense when everything goes right, the cushion is missing. For a bond, a debt fund or a company deposit, the same test applies to income: how many times over does the borrower earn its interest, and what is the extra yield paying you for?

IPOs deserve particular care. The seller chooses the moment and the price, and usually picks a good one for itself. Waiting for a year of listed results costs little. Coal India's buyers in 2020, by contrast, bought a business with a decade of listed results at a price nobody was fighting over.

If you do one thing: Before you buy, write down two figures: what you think the business is worth on cautious assumptions, and the price at which you would happily buy it. If the market price is above the second number, wait. The market will often offer it to you later.

Drive lighter trucks

HDB Financial's quarter was not a disaster. Profits grew by a third. What broke was the price that investors had paid for a smoother story. Coal India's 2020 buyers were not prophets either; they simply paid so little that the future could disappoint them and still leave them whole.

Graham's three words are easy to quote and hard to practise, because demanding a margin means missing some exciting stocks. That is the price of the bridge that holds. Build for 30,000 pounds, and drive 10,000-pound trucks.

Sources

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