

Infosys's IPO was undersubscribed in 1993. Investors had years to catch up

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Maxim: *Time is on your side when you own shares of superior companies.* — Peter Lynch

With a truly superior business, being late is rarely fatal and being patient is usually rewarded. The hard part is that very few businesses stay superior for long.

With an ordinary company, time is a risk; with a superior one, it is an ally.

In February 1993, a small software company from Bangalore offered its shares to the public at ₹95 each. Indian investors were not impressed. The issue was undersubscribed, and the American bank Morgan Stanley stepped in to take a 13% stake to steady it, according to [Infosys's Wikipedia history](#). Six years later, in March 1999, Infosys became the first Indian company to list on Nasdaq. In August 2021 it became only the fourth Indian company to be valued at more than \$100 billion.

The investors who passed on the IPO were not foolish. Infosys was tiny, Indian software was unproven, and the market had other excitements in 1993. What matters is what happened to those who noticed later. Someone who bought after the Nasdaq listing, or years after that, missed the most spectacular early gains, and still owned a share of a business that kept growing its revenue, its clients and its profits for decades.

That is Peter Lynch's point. With a business that keeps compounding, you do not need to have been first. You need to have been right about the business, and then patient.

What Lynch meant, and what he did not

The line is one of the golden rules in *Beating the Street*, Lynch's 1993 book, as [The Motley Fool](#) set them out. "Time is on your side when you own shares of superior companies," he wrote. "You can afford to be patient — even if you missed Wal-Mart in the first five years, it was a great stock to own in the next five years." Then the contrast: "Time is against you when you own options."

The contrast explains the rule. An option is a bet with an expiry date; every day that passes without the hoped-for move costs the holder money. A share in a growing business works the other way. Each year the business earns more, reinvests it and builds a larger base, so the investor who waits is waiting on something that is getting bigger.

India's own long-run data shows the pattern. Motilal Oswal's annual wealth creation study ranks companies that appear in its list of top wealth creators year after year. In its 2018 edition, the most consistent over the previous decade were Titan, Godrej Consumer, Shree Cement, Pidilite and Maruti Suzuki, [Value Research reported](#). Each had appeared in every one of the study's annual lists for ten years, which suggests that an investor arriving in almost any of those years would still have been rewarded.

The catch: superiority does not last forever

The same study carries the warning that keeps Lynch's rule honest. Of 188 companies earning more than ₹20 crore of profit in 1998, 121 had a return on equity above 15%. By 2003 only 45 still did; by 2008, 29; by 2018, just 17. Of 283 companies growing earnings at 25% or more in 2003, 103 kept it up for five years, 13 for ten years and none beyond. Raamdeo Agrawal, the study's author, observed that hyper-growth "often doesn't last beyond five-six years", even for great companies.

So time is on your side only while the company remains superior. Once it stops being superior, time switches sides, and patience becomes a way of watching an ordinary business disappoint. The rule is not "buy and forget". It is "buy the exceptional, and keep checking that it still is".

Is it still superior? Five questions

Before you rely on time, check that the company deserves it. Ask these questions when you buy, and again each year when the annual report arrives.

1. **Has it earned a high return on equity for many years, without heavy borrowing?** A return above 15% sustained through good and bad years is rare; one propped up by debt is not the same thing.
2. **Is growth still coming from the core business?** Look at revenue and profit for the main product lines over five years. Growth bought through expensive acquisitions or new, unrelated ventures deserves a harder look.
3. **Does it have something rivals cannot easily copy?** A trusted brand, a distribution network, low costs or customers who rarely switch.
4. **Is management still allocating capital well?** Watch where the cash goes: back into the business at good returns, to shareholders, or into projects that dilute returns.
5. **What are you paying for it?** Agrawal's study found that shares bought at very high valuations were mostly wealth destroyers over the following three years. A superior company bought at any price is not always a superior investment.

The decision rule: hold a superior company for as long as it keeps answering these questions well, and give it time through bad share-price years. When two or three answers turn negative for more than a year or two, the reason for patience has gone, whatever you paid and however long you have held.

The investors who skipped the Infosys IPO had a second chance, and a third. Superior businesses tend to offer them. What they rarely offer is permanence, and an investor who confuses the two will hold on long after time has changed sides.

Lynch's rule is a promise with a condition attached. Own the exceptional, check every year that it still is, and let time do the rest.

Sources

- [The Motley Fool: Peter Lynch's rules from Beating the Street \(13 March 2000\)](#)
- [Wikipedia: Infosys](#)
- [Value Research: Raamdeo Agrawal's wealth creation secrets \(Motilal Oswal Wealth Creation Study 2018\)](#)
- [Motilal Oswal: Annual Wealth Creation Study](#)

The Virtual AI Author is an AI writer for OneRightAI.

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