

Tata Motors fell to ₹63.60 in 2020. By 2024 it touched ₹1,179

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Maxim: *Know which of the six kinds of stock you own.* — Peter Lynch

The same share can be a fast grower, a cyclical or a turnaround at different points in its life. Peter Lynch's first question was not "is it cheap?" but "what kind of company is this?"

A stock you cannot classify is a stock you will not know when to sell.

One ticker, three different bets

On 11 March 2020, Tata Motors shares slipped below ₹100 for the first time since September 2009. They had already lost half their value that calendar year, [Business Standard reported](#), as Jaguar Land Rover's retail sales in China collapsed and the company cut its margin guidance for the British carmaker. By 24 March the price was ₹63.60. [Value Research later calculated](#) that the company's market value fell about 89% between February 2015 and March 2020.

Then the cycle turned. By January 2021 the stock had nearly quadrupled from that low, [Business Today noted](#). On 30 July 2024 it touched a record ₹1,179. Two months later it was 21% lower, [Business Today reported](#), as analysts fretted about JLR's order book and weak Chinese demand.

Picture three people holding the stock in March 2020. One bought it years earlier as a growth story, a global carmaker in the making. One saw a cyclical at the bottom of a downturn, waiting for demand to return. One saw a turnaround: a stretched balance sheet that would either mend or break. Each needed different evidence, and each should have planned a different exit. The share price was the same. The bets were not.

Lynch's six boxes

In *One Up on Wall Street* (1989), Peter Lynch sorted stocks into six categories before asking anything else: slow growers, stalwarts, fast growers, cyclicals, turnarounds and asset plays. Each category tells you what to expect, what to check and when the story is over.

Slow growers are large, mature companies growing roughly in line with the economy; you own them for the dividend. Stalwarts grow earnings at about 10–12% a year; Lynch was content to take moderate gains of 30 to 50% from them, and kept some as protection in recessions. Fast growers compound at 20–25% a year and produce the big winners, along with steep falls when growth stumbles. Cyclicals rise and fall with the economy, credit or commodity prices. Turnarounds are battered companies that may or may not recover. Asset plays hold something valuable the market has overlooked.

A [Value Research guide to the six types](#) in 2022 put Indian names to them. A buyer of SAIL two years earlier had earned about 52% a year, it found, while someone who bought five years earlier had earned 3.7% a year. Same steel company; the point in the cycle made the difference. CG Power, a

turnaround after the Murugappa group took control, rose 356% in two years. Lynch's own celebrated turnaround, Chrysler, returned fifteen times his money in five years.

The cheap-looking cyclical and the label that changes

Cyclicals turn the usual idea of cheapness upside down. Their profits peak at the top of the cycle, so the price-to-earnings ratio looks lowest just before earnings fall. Lynch's advice was to watch the business, not the multiple: falling commodity prices, swelling inventories and a rush of new capacity are early signs that a cycle is ending. A holder who mistakes a cyclical for a stalwart will read a low P/E as a bargain at exactly the wrong moment.

Categories also drift, and that is where long-held shares quietly get mislabelled. In FY22, Tata Consultancy Services grew revenue 15.4% in constant currency and [called it](#) the highest incremental revenue addition in its history. In FY26, the [same company's revenue fell 2.4%](#) in constant currency, even as its operating margin, excluding one-offs, improved to 25%. Whether that is a pause or a new normal, nobody yet knows. What is clear is that the reasons for owning it now cannot be the reasons of 2021.

The question has sharpened this year. By late May the Nifty was heading for its first calendar-year loss since 2015, and the IT index was down more than a third from its December 2024 level, [Invezz reported](#). Tata Motors, meanwhile, split in two: since November 2025 the passenger-vehicle and JLR business and the commercial-vehicle business have traded separately, with shareholders receiving one share of the new company for each one held, [Business Standard reported](#). Investors who never classified one business now have two to classify.

Five questions for every holding

Lynch wanted to be able to explain why he owned a stock in a couple of minutes: what had to go right, what could go wrong, and the numbers that mattered for its category. "It's going up" did not count. These questions turn that into a habit:

1. **Which box is it in today?** Judge by the last five years of earnings, not the story you bought. Low single-digit growth is a slow grower, around 10–12% a stalwart, 20% and above a fast grower. If profits swing with metal prices, interest rates or the economy, it is a cyclical whatever its recent growth.
2. **What evidence would confirm the story?** A rising dividend for a slow grower; steady earnings for a stalwart; sustained growth with healthy return on capital for a fast grower; the direction of the cycle for a cyclical; falling debt and narrowing losses for a turnaround; the hidden asset being recognised for an asset play.
3. **What would end the story?** Write it down before you need it: a dividend cut, growth slipping below your threshold, inventories piling up, a recovery plan stalling.
4. **Is the valuation right for the category?** A low P/E is reassuring for a stalwart and a warning sign for a cyclical near peak earnings.
5. **Has the category changed?** Check once a year, with the annual report. Fast growers mature, turnarounds become cyclicals or stalwarts, and asset plays are either unlocked or forgotten.

A simple decision rule. Write one line beside every holding in your portfolio: its category, and the single fact that would make you sell. If you cannot write that line, you own a price rather than a

business, so do the homework before adding a rupee more. And if the category has changed since you bought, judge the stock by its new box, not its old one.

Neither label here is a verdict on either company's future. The lesson is narrower. A ₹63.60 share in 2020 and a ₹1,179 share in 2024 called for different questions, and so does a software company that has gone from 15% growth to none. Lynch's six boxes do not pick stocks for you. They tell you which questions to ask of the ones you already own.

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