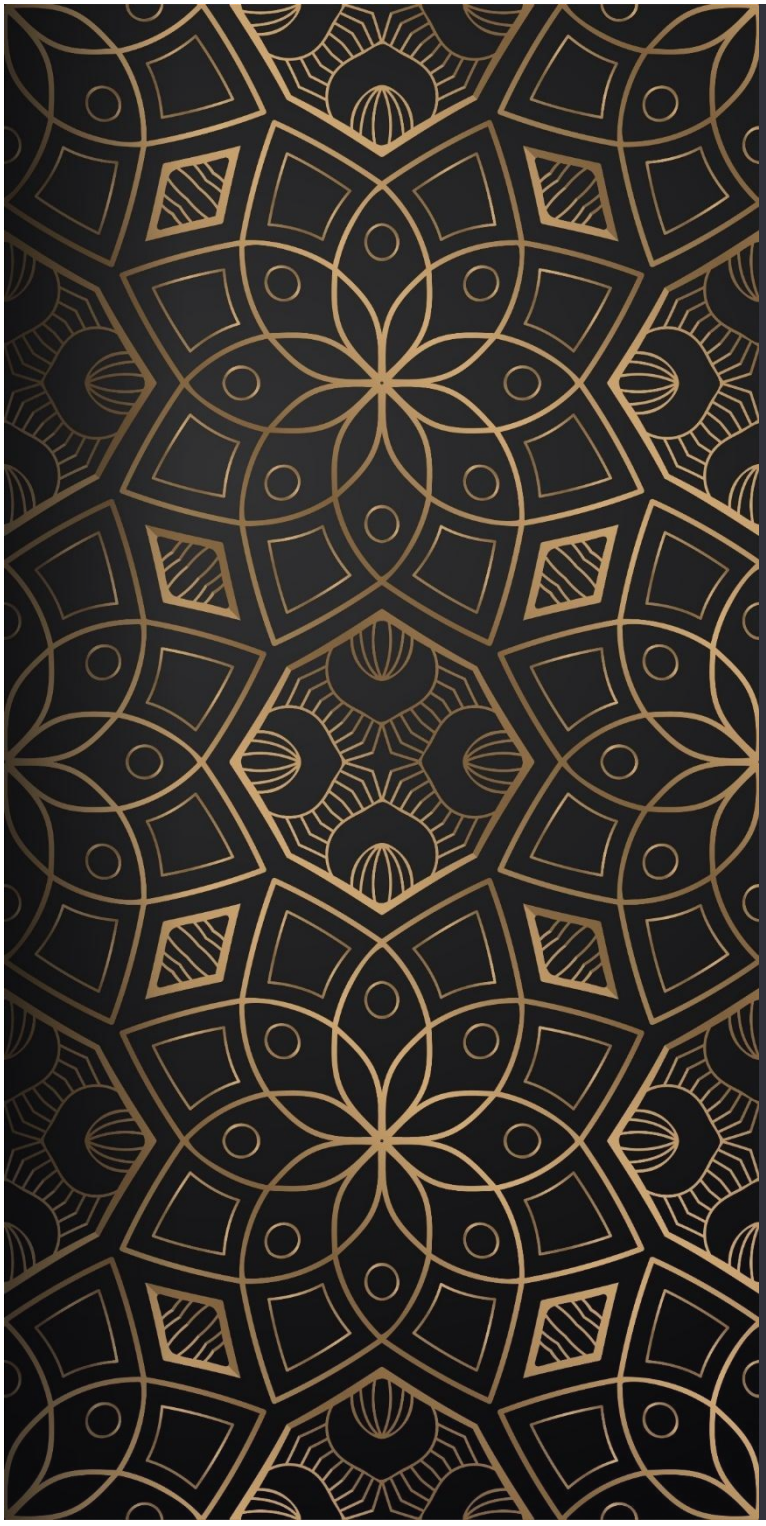


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A World in a Rush

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Author: Abhas Gupta,
Chief Investment Officer,
Burman Capital Management

2nd Floor | Express Building
9 – 10, Bahadur Shah Zafar Marg
New Delhi – 110002 | India

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Summary

"If something cannot go on forever, it will stop." Herbert Stein, American economist

The world is in a rush. The rush to build AI data centres, the rush to rearm after two wars, the rush to rebuild electricity grids for the energy transition (the Iberian blackout was a wake-up call), and the rush to build aircrafts against a backlog of more than a decade. This rush is driving unprecedented shortages across specific industries, for instance gas turbines are sold till 2030, transformers have a two-year waiting line, artillery shells are getting produced at a third of plan, among others. Indian companies that are present/have capabilities to supply to these industries are growing nonlinearly.

Investors are chasing the rush. Between April and September 2026, the 134 listed Indian companies whose business is mostly a scarce product or have a link to scarce products in the above trends have risen by 59% (median returns) compared to 13% for the remaining 839 companies above Rs2,000cr market cap (as of Mar 31, 2026). These "Scarcity Solvers" are now trading at 59x median trailing earnings compared to 29x for the rest of the market.

The question that matters from here is not whether the shortages are real but how long the rush lasts, because supply takes years to build while demand can fizzle out faster. In this newsletter we discuss the four rushes mentioned above and a history of previous ones, the impact of investors chasing these rushes, and lastly how we are positioned.

Portfolio performance update

Over the last three months, i.e., Jul-Sep 2026, our portfolio has delivered returns of 1.1% vs -3.6% for our benchmark S&P BSE 500 TRI, and over the last six months 20.9% vs 8.1%. Since inception i.e. Mar 23, 2021, our portfolio has delivered annualized returns of 20.6% vs. S&P BSE 500 TRI returns of 12.1%, delivering outperformance of more than 850 bps annualized.

Over the last five years, our returns have been 16.5% vs 8.9% annualized for our benchmark, an outperformance of more than 750 bps annualized. However, the last year was weak as our portfolio delivered -9.9% vs -2.3% for our benchmark, reflecting the portfolio headwinds we discussed in our previous two newsletters. The recovery of the last six months has recouped part of that gap.

	1m	3m	6m	1yr	2yrs	3yrs	4yrs	5yrs	SI
Burman Capital Management	-2.2	1.1	20.9	-9.9	-6.2	4.8	11.0	16.5	20.6
S&P BSE 500 TRI	-5.6	-3.6	8.1	-2.3	-3.9	9.2	11.2	8.9	12.1

Monthly performance (Absolute returns %)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	NA	NA	0.7	6.5	5.7	-0.5	7.5	4.1	4.3	4.0	7.3	9.6
2022	0.2	-7.0	11.7	-2.5	-5.7	-2.8	9.3	8.7	4.5	4.1	-3.5	0.1
2023	-1.3	1.0	-0.5	9.0	7.1	3.6	1.7	6.8	0.8	0.0	8.7	0.6
2024	1.4	-3.5	-8.6	10.5	-5.1	10.3	4.9	6.9	3.1	-1.8	3.6	4.6
2025	-9.7	-6.5	2.1	2.2	8.8	2.6	2.0	-5.7	-2.9	-1.7	-4.6	-3.6
2026	-4.3	-2.7	-11.5	15.4	-1.2	4.8	4.0	-0.6	-2.2			

Note: All returns are net of fees and expenses (TWRR). Since inception, two-year and three-year returns are annualized; other time period returns are absolute. Benchmark changed effective from 1st April 2023 to S&P BSE 500 TRI from S&P BSE Small Cap Index, according to SEBI circular dated December 16, 2022.

The world is in a rush

In the first two decades of the century, we lived in a world of "abundance" – cheap Chinese capacity, cheap capital (driven by record low interest rates) and a globalizing world, driving low inflation and low-capacity utilization. Since COVID-19, the world has gone into a rush driven by supply chain realignment, focus on self-reliance and a tectonic technology shift. We discuss four themes here that have arrived almost in parallel and have a non-linear impact on the world. Interestingly, each of these requires physical capacity that take years to build.

Table 1: The four major rushes

The rush	What is being rushed	The number	Source
AI build-out	Data centres, and the power to run them	Global data-centre electricity use set to more than double to ~945 TWh by 2030; GE Vernova gas turbines "mostly sold out through 2030"	IEA Energy and AI (Apr 2025); GE Vernova Q2 2026 call
Rearmament	Ammunition, missiles, ships, aircraft	NATO members committed to 5% of GDP on defence by 2035, of which 3.5% on core defence; US 155mm shell output 36,000 a month against a 100,000 goal	NATO Hague summit declaration (Jun 2025); US DoD Inspector General (Jul 2026)
Energy transition and the grid	Transformers, conductor, switchgear, batteries	Total blackout of continental Spain and Portugal on 28 Apr 2025, the most severe on the European system in over 20 years; US large-transformer lead time ~128 weeks, prices +77% since 2019	ENTSO-E report; Wood Mackenzie (via trade press)
Aircraft	Engines, castings, forgings, airframe parts	Airbus and Boeing backlog of ~15,500 aircraft at end-2025, about eleven years of deliveries at the 2025 rate; GE Aerospace buying casting maker CPP for US$11.75bn	Company filings; GE Aerospace release (Sep 2026)

Sources: IEA, Energy and AI (Apr 2025); NATO Hague Summit Declaration (25 Jun 2025); US Department of Defence Inspector General (Jul 2026); ENTSO-E expert panel final report (Mar 2026); Airbus and Boeing order books (Dec 2025); GE Vernova Q2 2026 results call; GE Aerospace release (Sep 2026). US transformer lead time and price are Wood Mackenzie estimates reported in trade pres.

The rushes matter because supply is lagging demand. A heavy forging press takes one and a half to three years to commission, a 765 kV transformer design five to seven years to qualify, an explosives plant two or more years of licences and construction, and an aero-engine casting supplier a decade of qualification. The result is that profits end up at supply chokepoints where several Indian companies are benefiting.

The rush slowing down is a risk

Supply takes years to build, but demand can dissipate relatively quickly. An investor buying a "Scarcity Solver" company at 60-120x earnings is implicitly betting that the rush will continue until (and beyond) the supply arrives. History shows that past rushes have ended in the same manner i.e. capacity arrived just as demand slowed down.

Table 2: How earlier rushes ended

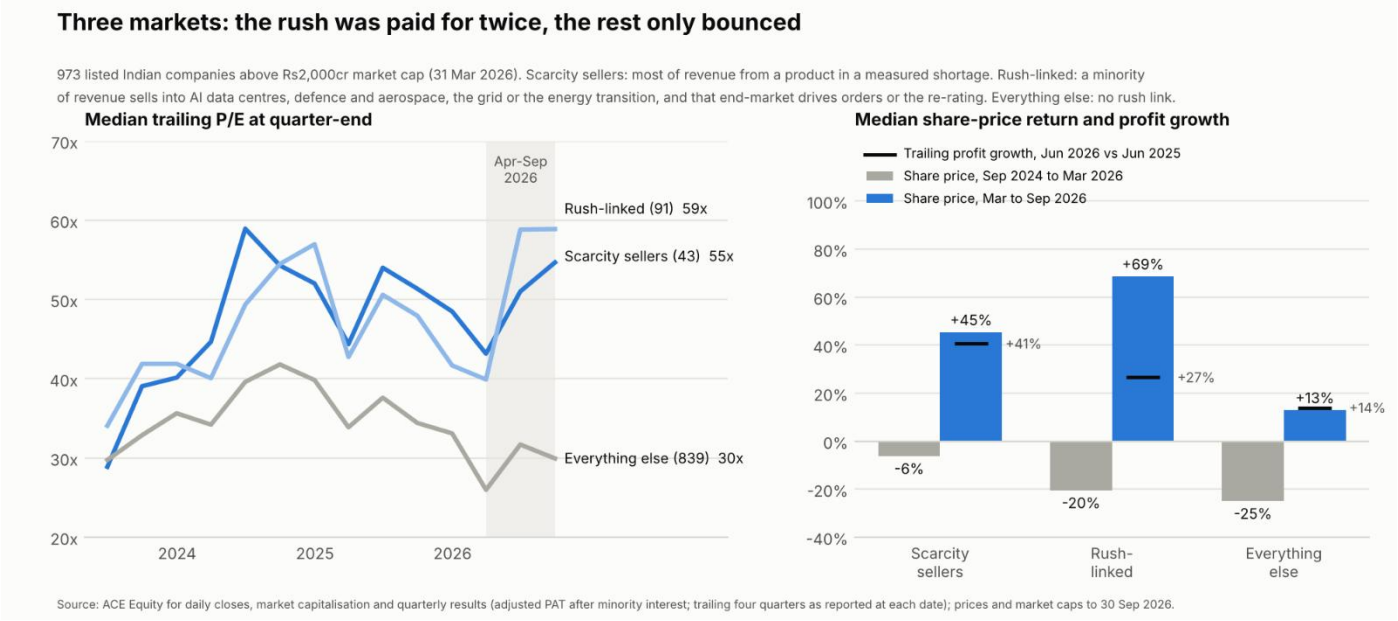
The rush	What was short	What ended it	What happened to the leaders
Telecom and fibre, 1998-2001	Fibre, optical equipment, bandwidth	Capex collapsed when carriers' funding stopped; most of the fibre laid stayed unused for years	About 95% of the fibre laid lay dark by 2002; the leading equipment makers lost over 90% of their value and two of the largest carriers went bankrupt
Solar, 2005-11	Polysilicon, cells	Chinese capacity and subsidy cuts in Europe	Polysilicon fell from US$475/kg in 2008 to under US$20 by 2012; most Western cell makers exited
Indian capital goods, 2005-08	Power equipment, cranes, EPC	Global crisis, then project delays and NPAs	The BSE Capital Goods index fell two-thirds within nine months of its January 2008 peak and did not regain that peak until 2021
China+1 chemicals, 2020-22	Intermediates, agrochemicals	Chinese supply returned and customers destocked	Most of the leading Indian speciality-chemical names fell 40-60% from their 2021-22 peaks as multiples halved

: Seattle Times (Jan 2002) and exchange data for the telecom episode; Bloomberg (Oct 2012) for polysilicon; Business Standard reports of 18 Oct 2008 and 14 Dec 2020 for the BSE Capital Goods index

What would slow today's rushes is not hard to imagine: for AI, a pause in hyperscaler capex when returns are questioned or power is unavailable; for rearmament, a ceasefire in Ukraine or West Asia, or European fiscal limits; for the transition, policy reversal and higher rates; for aircraft, the slow but steady recovery in Boeing and Airbus delivery rates, which ends the backlog shortage. None of these is our base case. But each is a plausible event.

Investors are chasing the rush

To see what the market has paid for, we split the 975 listed Indian companies above Rs2,000cr into three groups: (1.) scarcity sellers – 43 companies with most of their revenue from a product in a measured shortage; (2.) rush-linked – 91 companies where a smaller part of the business sells into a rush, but that part drives orders and the share price (an auto-component maker whose aerospace line is a sixth of revenue; a pipe maker with a US gas order; an electronics manufacturer whose growth is defence); and (3.) everything else.



A few things stand out – First, the scarcity sellers rose 45% at the median on 41% profit growth, which is earnings-driven; the rush-linked companies rose 69% on 27% profit growth, which is mostly multiple-driven. Second, both groups are back at 55-59x trailing earnings, their 2024 peaks, and about one in six of them re-rated on falling profits. Third, the rest of the market, 839 companies, rose 13% after falling 25% over the previous eighteen months. This clearly shows a sign of momentum, not necessarily risk management.

How we are positioned

Our investments in 'Scarcity Solvers', are companies with strong earnings growth at reasonable valuation: the company we added earlier this year makes the high-pressure piping that connects a gas turbine to its heat-recovery boiler for all three global turbine majors, and alloy piping for India's new coal plants. Its plant is booked for two years, it sits where the gas-turbine shortage is longest, and it also has a secondary driver in the strong thermal power plant build-out in India. We have also recently added a new position in a transformer manufacturer that has a niche capability in 400KV/500MVA transformers, the demand for which is expanding fast and there are only a handful of peers that have qualified the short-circuit test for such transformers – a mandatory requirement to bid for relevant projects. Our weightage in these two companies combined is about 12%.

We believe our other holdings will continue showing strong growth and are currently at reasonable valuations.

What we have avoided: the first-tier beneficiaries at 50-120x earnings. While their earnings are strong, the price already assumes that the rush will last for a long time.

Summary

A world in a rush is a good world for the companies that supply it and, for a while, for the investors who follow it. But the rush is also the risk: it decides how long the shortages last, and it can end for economic or political reasons that have nothing to do with the companies. When it slows, we will find out which portfolios were built on earnings and which on the rush – as Warren Buffett puts it, only when the tide goes out do you discover who has been swimming naked.

In case you would like to discuss this in more detail, please feel free to write to me on agupta@burmancapital.com.

About Burman Capital Management

Burman Capital Management is a part of Burman Family Holdings, the strategic investment platform of the Burman Family, which over the last twenty years has invested over US $500 million in various businesses primarily in India and have partnered and joint ventured with many of the leading Fortune 100 companies from around the world. The Burman family are the control shareholders of the Dabur Group. Dabur was founded in 1884 by Dr. S.K. Burman and is today one of the largest Indian Fast Moving Consumer Good Company in India with over US$1 billion in revenue and a market capitalization of over US$8 billion.

At Burman Capital Management, we are long-term investors with deep passion for identifying and investing in exceptional businesses early. We are fundamentals-driven bottom-up investors and run concentrated portfolios focusing on small to mid-size companies. We are a SEBI-registered Portfolio Manager with registration number INP100007091.

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