MGQI CASE STUDY

Netweb Technologies: From Probe Position to High Conviction

A Practical Case Study of the MGQI Framework

“The objective is not to begin with maximum conviction. It is to build conviction as the evidence strengthens.”

The Initial Opportunity

Investing is often presented as a binary decision: either you have enough conviction to make a meaningful investment, or you wait until the evidence becomes obvious. But by the time everything becomes obvious, much of the opportunity may already be reflected in the price.

A more useful approach is to treat investing as a process of progressive conviction.

Start with a hypothesis. Commit limited capital. Observe how the business and the market respond. Test the thesis through volatility. Increase exposure when the evidence strengthens.

My investment in Netweb Technologies provides a practical example of this approach. What makes the case particularly relevant to the MGQI framework is not simply the subsequent appreciation in the stock. It is the evolution of the investment decision—from a small probe position to a much larger allocation as business execution, growth prospects and Relative Strength increasingly aligned.

The Initial Thesis

Netweb Technologies was identified as a potential beneficiary of the growing AI infrastructure and High-Performance Computing (HPC) opportunity in India.

The initial investment thesis was supported by strong fundamentals, attractive growth prospects, favourable industry tailwinds and exposure to AI-led infrastructure spending.

The opportunity was attractive. But attractive does not mean certain.

The company was a small-cap, and therefore the position carried significant volatility risk. Conviction was still developing.

This created an important portfolio-management question: How much capital should be committed before the thesis has had an opportunity to prove itself?

The answer was not to wait indefinitely. It was to start small.

The Probe Position

Between April and June 2025, approximately ₹1.1 lakh was deployed. This was intentionally structured as a probe position.

The purpose of a probe position is simple: participate without prematurely making a large commitment.

A small initial position allows the investor to remain exposed to the opportunity while continuing to gather evidence. If the thesis deteriorates, the financial damage is limited. If the thesis strengthens, capital can be added later.

In the Netweb case, the initial position was explicitly intended to allow participation while conviction developed and risk remained controlled.

The first decision, therefore, was not about predicting the future. It was about managing uncertainty.

When Price Began to Confirm the Thesis

The technical picture provided another important piece of evidence.

The stock had corrected by nearly 50% from its all-time high and subsequently consolidated. It then broke out of a falling channel. More importantly, Relative Strength remained favourable, while the price structure suggested a potential trend reversal.

This distinction is important. Relative Strength was not being used to predict what the business would become. Rather, it was being used as a form of market confirmation.

The business opportunity was one part of the thesis. The market's behaviour toward the stock was another. When those two begin to align, conviction can increase.

The First Validation

The initial probe position soon received a powerful market response.

Within approximately four months, the stock appreciated nearly 150%, taking the position value from approximately ₹1.1 lakh to ₹2.6 lakh.

It would have been easy at this point to conclude that the thesis had been validated. But a rising stock is not the ultimate test of an investment thesis.

The more revealing test comes when the stock stops rising.

And that test arrived soon.

The 30% Correction: The Real Test

Over the next two months, the stock corrected by nearly 30%. This was the point at which the investment thesis needed to be reassessed.

A large correction can mean very different things. It can signal deterioration in the underlying business, weakening growth expectations, a change in the industry opportunity, excessive valuation, or simply a technical correction after a strong advance.

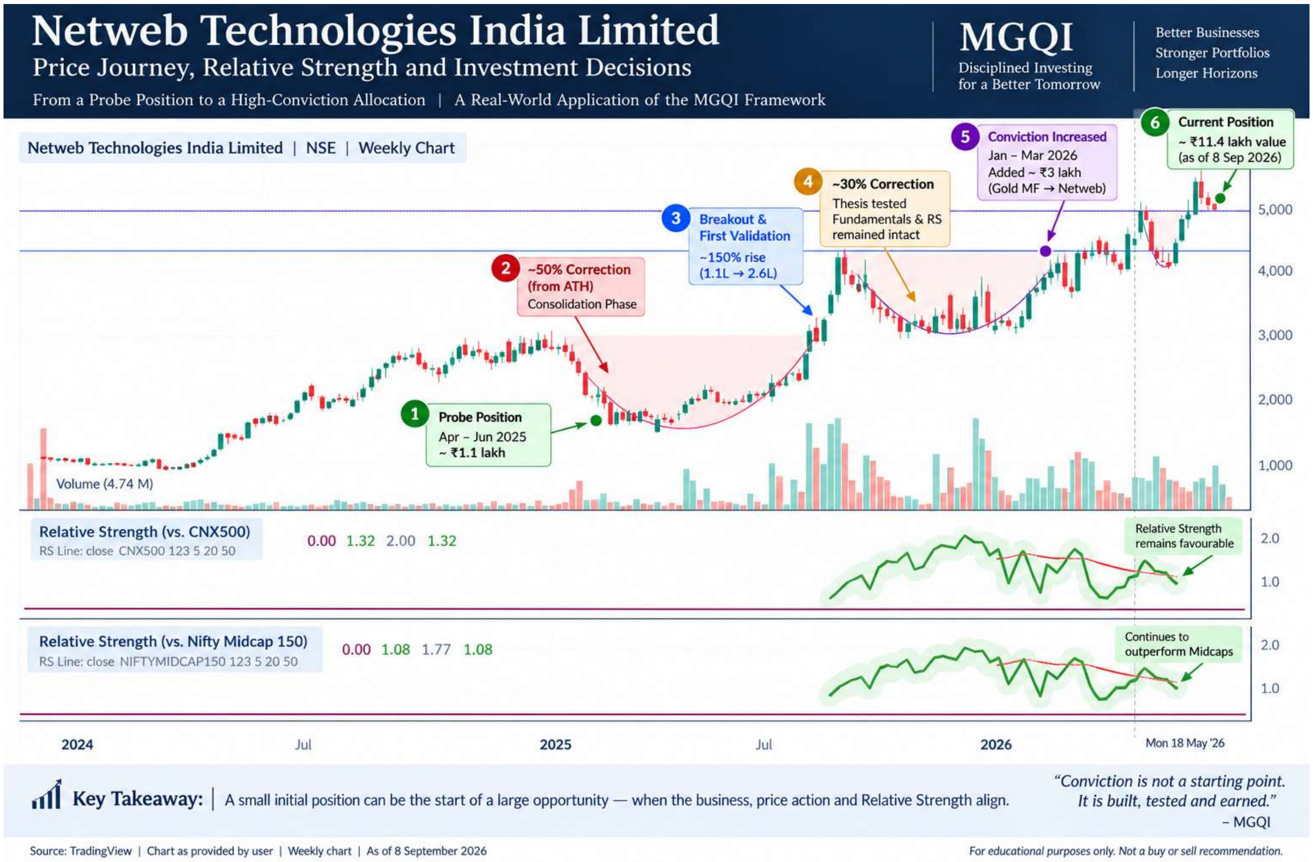
The appropriate response therefore cannot be determined by the magnitude of the decline alone.

The more important question is: What changed beneath the price?

In this case, the assessment remained constructive. The fundamentals remained strong. Relative Strength remained superior. And the AI infrastructure tailwind had strengthened rather than weakened.

The correction was therefore interpreted as technical rather than fundamental.

This became an important lesson from the investment: A falling stock price is information—but it is not automatically evidence that the investment thesis is broken. The thesis has to be reassessed against the underlying evidence.



From Probe to Conviction

The correction did not simply test the position. It helped clarify it.

As business execution remained strong and the broader AI infrastructure opportunity strengthened, conviction increased.

Between January and March 2026, approximately ₹3 lakh of additional capital was deployed.

The decision to scale was supported by strong business execution, constructive consolidation after the earlier rally, Relative Strength remaining around 1.8–2.0, increasing confidence in management and the business model, and a strengthening AI infrastructure opportunity.

This is where the concept of conviction-based position sizing becomes important.

The position was not increased simply because the stock had gone up. It was increased because the evidence supporting the investment thesis had strengthened.

Position Size Should Follow Conviction

There is a subtle but important difference between two approaches.

Price-driven sizing: The stock is going up, so buy more.

Conviction-driven sizing: The evidence supporting the thesis is strengthening, so the position can become larger.

The second approach is fundamentally different.

A probe position does not have to be the final position. It is simply the starting point of the investment process.

The progression becomes: Probe → Observe → Validate → Build Conviction → Scale.

This is very different from: Buy → Price Rises → Buy More.

The objective is not to increase exposure because the market has rewarded the investment. The objective is to increase exposure because your understanding and conviction have improved.

Capital Rotation: The Next Rupee Matters

The subsequent additions also involved another important portfolio decision.

Part of the additional capital was generated by gradually reducing Gold Mutual Fund holdings accumulated over the previous three years.

This was not simply a decision to move from one asset class to another. It was a decision about relative conviction.

Every portfolio has a finite amount of capital. Therefore, adding to one investment often requires asking whether another holding represents a better use of that capital.

The relevant question becomes: Where should the next rupee be allocated?

In this case, capital was deliberately rotated from a lower-conviction asset into a higher-conviction growth opportunity.

A good investment is not necessarily the best destination for additional capital. The decision must always be considered relative to the alternatives already available in the portfolio.

MGQI in Action

The Netweb experience illustrates that MGQI is not simply a method for identifying stocks. It can also provide a framework for managing an investment after identification.

Quality

The assessment began with the underlying strength and execution of the business.

Growth

The company had exposure to an attractive growth opportunity through AI infrastructure and HPC.

Momentum / Relative Strength

The favourable Relative Strength and improving price structure provided market confirmation.

Institutional Participation

Increasing institutional interest became another element of the ongoing assessment.

But the more interesting aspect is what happened between these dimensions.

The framework informed a sequence of portfolio decisions:

Identify → Probe → Observe → Test → Build Conviction → Scale → Monitor

That makes MGQI more than a static checklist. It becomes a dynamic investment decision framework.

Knowing What Would Change the Decision

Conviction is useful only when it remains conditional. A high-conviction position should never become an emotional attachment.

The Netweb thesis therefore has defined conditions that could warrant reducing or exiting the position:

- Structural deterioration in Relative Strength
- Material slowdown in earnings growth
- Weakening of the AI infrastructure thesis
- The emergence of a better MGQI opportunity
- Position size exceeding acceptable concentration limits

This is an important principle: Conviction should determine position size—but evidence should determine conviction. If the evidence changes materially, the position should be reassessed.

The Evolution of the Position

Period	Investment Decision
Apr–Jun 2025	Initial probe position of ~₹1.1 lakh
~Oct 2025	Position value reached ~₹2.6 lakh after nearly 150% appreciation
Following two months	~30% correction; thesis reassessed
Jan–Mar 2026	~₹3 lakh added as conviction increased
Apr–Jun 2026	Further opportunistic additions
Case-study date	~₹6.3 lakh invested; ~₹11.4 lakh value

The case file records an unrealized gain of approximately ₹5.1 lakh at that point in time. These are point-in-time figures from the investment case and should not be interpreted as current market values.

What the Netweb Case Taught Me

You do not need maximum conviction to begin. A well-sized probe position can provide participation while allowing the thesis to develop.

A correction does not automatically invalidate a thesis. The critical question is not how much did the stock fall? It is what changed in the business, growth outlook and market behaviour?

Relative Strength becomes more meaningful when fundamentals remain intact. Strong market behaviour alongside strong business fundamentals can provide valuable confirmation.

Capital should move toward higher-conviction opportunities. Portfolio management is ultimately a competition for capital among different opportunities.

Position size should increase with conviction—not simply with price. The goal is not to buy more because something has appreciated. The goal is to own more when the evidence has become stronger.

The Bigger Idea

The Netweb case demonstrates an idea that sits at the heart of the MGQI philosophy:

Investing is not a single decision. It is a sequence of decisions made as evidence accumulates.

At the beginning, uncertainty was high. So the position was small.

As the business opportunity, execution and market behaviour increasingly aligned, conviction grew. The position was increased.

When the stock corrected sharply, the thesis was tested rather than abandoned automatically. When the evidence remained supportive, conviction increased further.

Capital was then reallocated from a lower-conviction asset toward the higher-conviction opportunity.

This is the real value of a framework. Not merely telling you what to buy, but helping answer:

- How much should I buy initially?
- What evidence should increase my conviction?
- What should I do when the stock falls?
- When should I add?
- Where should additional capital come from?
- What would make me change my mind?

Conclusion

The Netweb investment began with an attractive opportunity—but not with certainty.

A small probe position created exposure while conviction was still developing.

The subsequent price breakout provided early confirmation.

The nearly 30% correction became a test of the thesis.

The business fundamentals, Relative Strength and AI infrastructure opportunity remained supportive.

Conviction increased.

Capital was subsequently scaled into the position, including through rotation from a lower-conviction asset.

The result was not simply a larger position. It was a better-informed position.

That distinction matters.

Because the objective of investing is not to be certain before acting. It is to create a process where capital allocation can evolve as the quality of the evidence evolves.

Start with a hypothesis. Start small. Let the evidence speak. Build conviction. Allocate capital accordingly.

That is the Netweb case study—and one practical demonstration of the MGQI + Relative Strength framework in action.

Disclosure

This case study describes a personal investment decision and the reasoning applied at different stages of the position. The figures and portfolio details are point-in-time information from the underlying investment case. This article is intended for educational and research purposes and should not be construed as investment advice or a recommendation to buy or sell any security.