

Google v/s Grandma

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Google vs Grandma

- Why is this talk named Google vs Grandma?
- How are grandparents helpful?
- Why should you listen to me?
- Have detailed this talk just based on my experience

About Questions

- Feel a strong sense of dis-agreement with anything that I say then please feel free to interrupt me!
- Q & A in the end!

Structure Of This Talk

- I have divided this talk into 3 broad sections:
 - Personal Investment Motos
 - Buy-Hold-Sell Strategies
 - Miscellaneous

Personal Investment Motos

- Portfolio balance inspired by Goldilocks and The 3 bears
- Too hot at one stage, too cold at some other stage and just right as of now!
 - In terms of number of companies hold
 - In terms of diversification
 - Sector/Industry
 - Market Capitalization

Basic Characteristics That I Look For In A Company

- **Buy companies that are making/selling stuff/service with less/no debt and making good profit margins as a result**
- **Buy companies that are making/selling MORE stuff/service and INCREASING the profit margin WITHOUT INCREASING debt**
- These 2 rules help me in eliminating most of the undesired companies

Continued ...

- Hold at least 6 sectors. Financials (Banks, NBFC, Housing Finance, Micro Finance), Auto, IT, Pharma, Misc
- Avoid companies that don't pay dividend
- Avoid companies that have a net profit margin less than 8%
- Avoid companies that pay more than 4% of their net revenues as interest
- Avoid companies whose PE is greater than (or closer to) its average higher PE band

Continued ...

- Avoid companies that deal with commodities
- Avoid real estate and construction companies
- Avoid companies with fluctuating quarterly results and companies with 1 or 2 quarter heavy companies
- Avoid companies with complex PL statements and Balance Sheets

Continued ...

- Don't buy because a famous investor bought a company
- Don't buy because a famous analyst suggested it
- Don't buy because a close friend holds it
- Don't buy because management came on TV and said how rosy the future of the company is going to be
- Definitely don't buy because the stock has been going up

Continued ...

- I invest in a company only if it passes my Moto filters!
- I know I cannot be part of all the parties, so I am happy with what I hold
- I don't feel bad if my investments are not discussed in media. TV channels and experts start discussing a company only after the first huge rally in a stock is over!
- I invest in companies that help me sleep well at night

Knowing Personal Limitations

- Knowing personal limitation is as important as knowing the strengths. I don't trade F&O as I know that I don't have the temperament for it. Open F&O positions keep me awake and night and that defeats the whole purpose of not working!

Buy-Hold-Sell

- Buying
 - All of us follow a system
 - Most of the times it is a mental system
 - Mental system leads to inaccuracies
 - Mental system also limits our bounds while comparing two companies within same or different sectors
 - Better to use (create and use) tool that maps our mental system

Diversification Matrix Chart

FINANCIALS (20%)

LARGE-CAP (10%)			MID-CAP (5%)			SMALL-CAP (5%)		
NAME	QUANTITY	PRICE	NAME	QUANTITY	PRICE	NAME	QUANTITY	PRICE
HDFCBANK			MANAPPURAM					
YES								
	TOTAL	0.00					TOTAL	0.00
	PERCENT	0.00					PERCENT	0.00

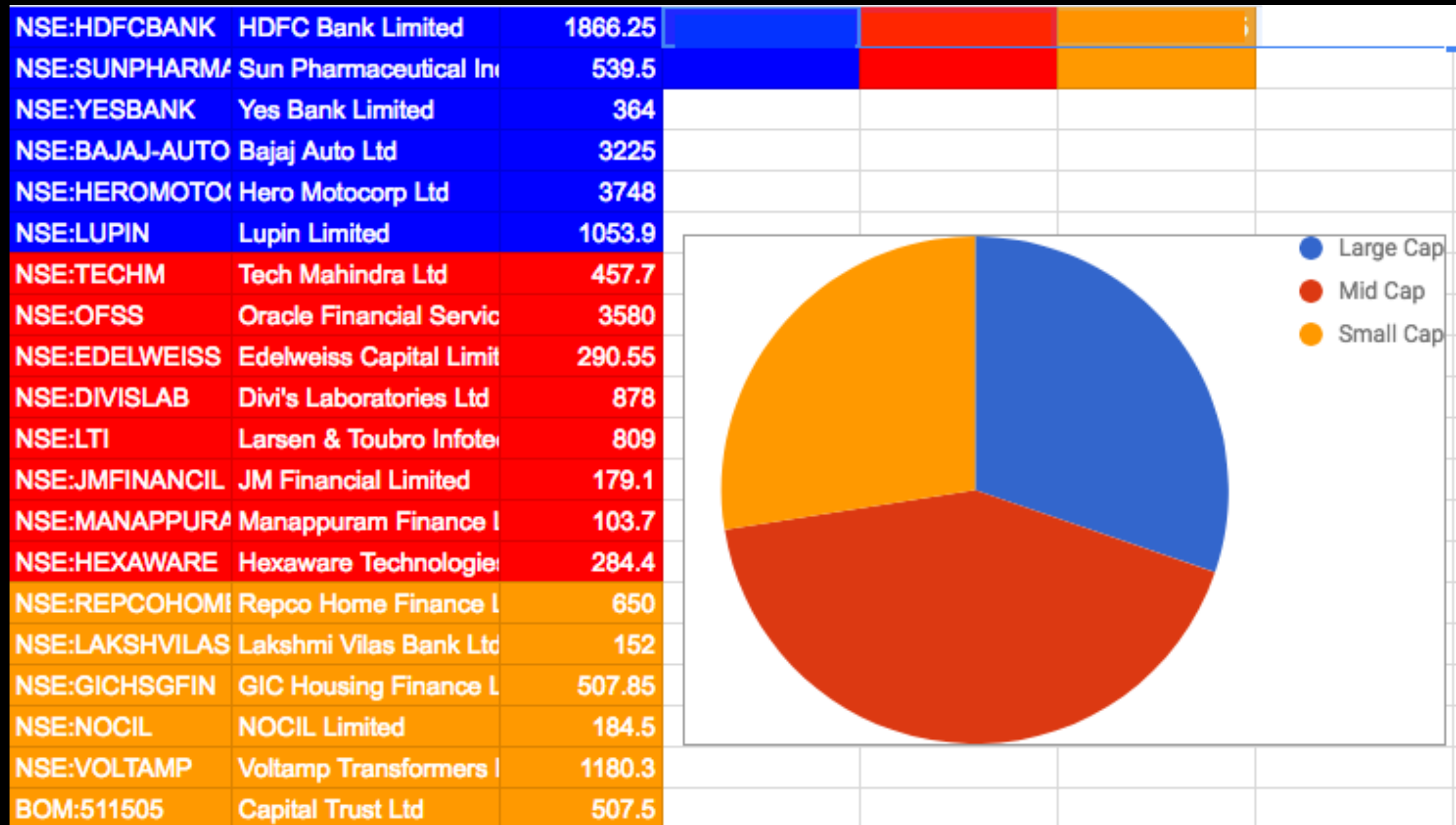
IT (15%)

LARGE-CAP (5%)			MID-CAP (5%)			SMALL-CAP (5%)		
NAME	QUANTITY	PRICE	NAME	QUANTITY	PRICE	NAME	QUANTITY	PRICE
			TECHM			HEXAWARE		
			ORACLE FIN SVS					
				TOTAL	0.00			
				PERCENT	0.00			

AUTO (15%)

LARGE-CAP (5%)			MID-CAP (5%)			SMALL-CAP (5%)		
NAME	QUANTITY	PRICE	NAME	QUANTITY	PRICE	NAME	QUANTITY	PRICE
HEROMOTO								
	TOTAL	0.00						
	PERCENT	0.00						

Market Cap Diversification Chart



My System

Optimized

Personal

Gemsi

Sectors

All

Watchlist

Search:

Show 10 companies

Name	% Score	Price	PE	PEG	Div Yield
Maharashtra Scooters Sep 17	84.48	2792.00	52.05	0.14	1.07
LKP Finance Jun 17	79.31	137.50	11.48	0.85	1.45
Tyche Industries Jun 17	74.14	123.20	26.96	1.10	0.41
JSW Holdings Jun 17	71.55	1893.00	25.70	0.87	0.00
IDFC Bank Jun 17	71.55	56.25	16.03	0.13	1.33
MMTC Jun 17	71.55	60.40	73.66	20.24	0.50
KCP Jun 17	71.55	121.10	31.54	-1.75	1.65
63 Moons Technologies Jun 17	70.26	138.25	9.77	-0.32	3.62
Avanti Feeds Jun 17	70.26	2606.05	38.04	0.89	0.27
ILandFS Jun 17	67.67	16.20	64.80	-0.73	7.41

Showing 1 to 10 of 690 companies

Previous

1

2

3

4

5

...

69

Next

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Information is provided "as is" and solely for informational purposes, not for trading purposes or advice, and may be delayed.

Before Buying ...

- Company has to pass through my “moto” filters
- Decide on what returns I am expecting
- Read more about the company and news flow surrounding it
- Expectation become especially important while making contrarian investments
- Dividend Yield > PEG
- CMP < 30 DMA. Preferably close to 100 DMA

Hold

- Once invested in the company, stagnant stock price should not be an issue if the company is showing fundamental consistent growth
- If the growth continues then the stock price will catch up soon or later
- One quarter's underperforms is tolerated
- Keep a close eye on fundamental and news flow

Hold (Contd.)

- Once a month I go thru all the holdings and ask the following 4 questions:
 - Am I happy with the fundamentals of this company?
 - Am I happy with the valuations of this company?
 - Am I happy with the news flow surrounding this company?
 - **Does holding this company give me joy?**

Selling

- For me there are 5 reasons to sell/book-profits:
 - When I need money
 - When the company comes out with unexpected results
 - When the stock that I hold has become overvalued (One year f/w PE has become greater than its all time high PE)
 - When I find a better company (fundamentally and valuations wise)
 - Company or its management is in negative news
- Always fully invested

3:15pm

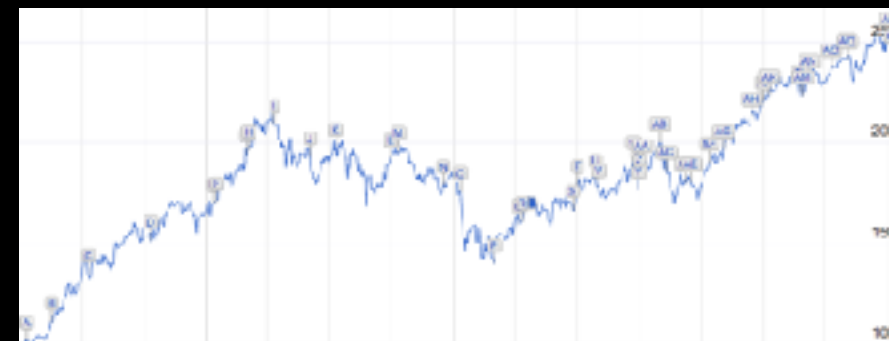
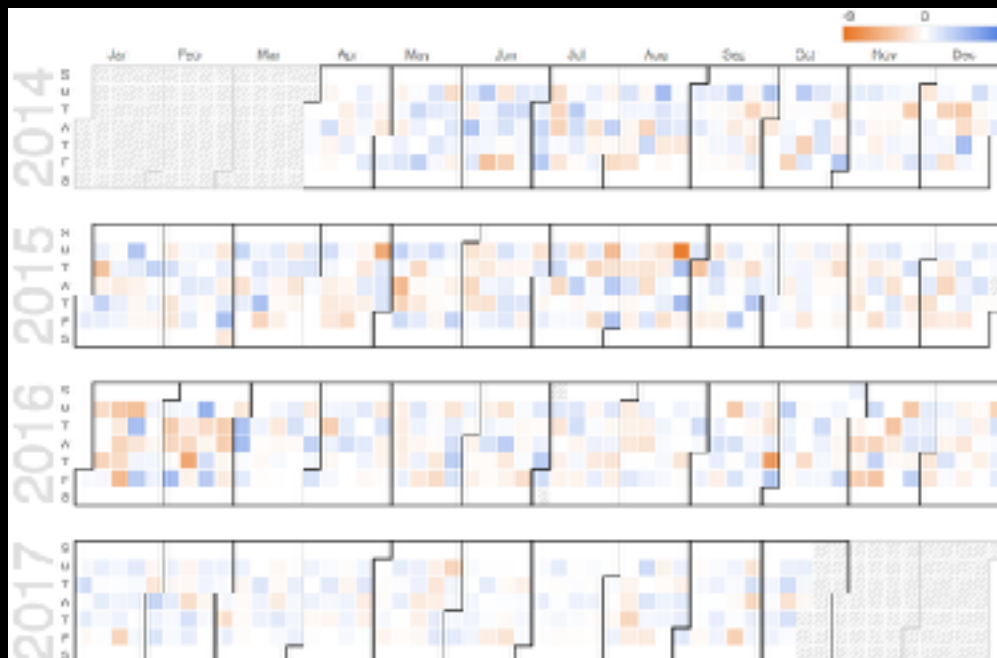
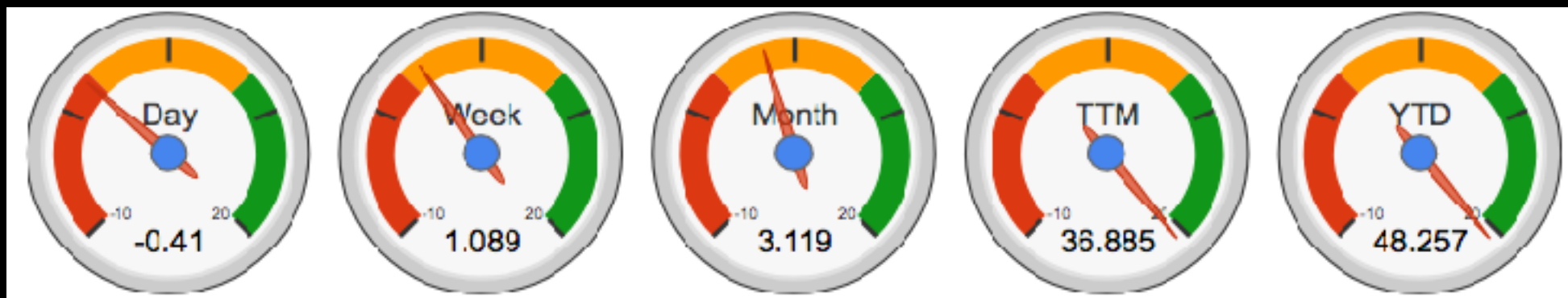
- Brokerages automatically close the open positions of day traders

IPO

- I don't like to invest in IPOs
- Current IPOs are vehicles for private equity investor to off load their stake
- Most of exponential growth is over
- If IPO is good it is over-subscribed and allocation is low. In case of full allocation the IPO is not great. In both cases not much can be made

Accurate Tracking

- Extremely important to know how is the portfolio performance against the NIFTY



How long is long term?

3 Years



Searching for Multi-baggers

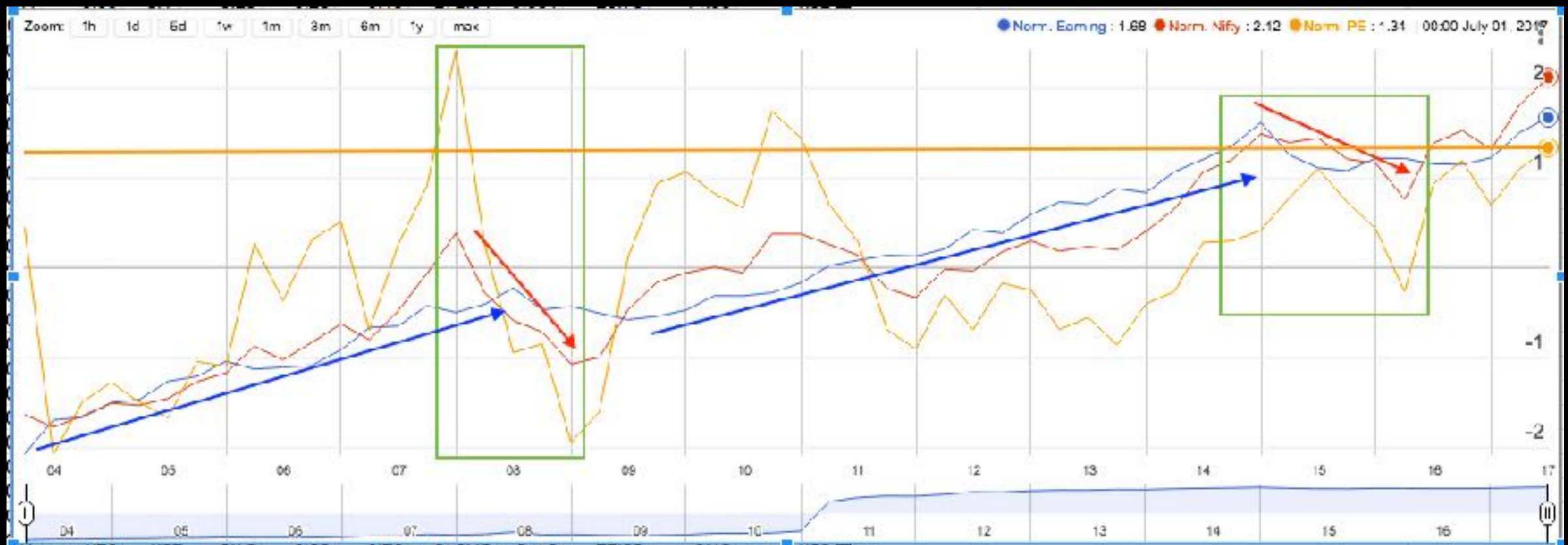
- Cannot go hunting for them
- Increase probability of discovering them
- $PE \text{ Expansion} \times \text{Growth} = \text{Multibagger}$
- Start with low market cap company
- Hurdle of low volumes
- No news flow

Sector Rotation

	1st Week 2018	27th April 2017	1st Week 2017	1st Week 2016	1st Week 2015	1st Week 2014	1st Week 2013	25th April 2012
Financial (Yellow)	1?	1	3	4	3	5	1	0
Oil and Gas (Red)	4?	5	6	6 - -	6 - -	6	4	0
IT (Light Blue)	5?	6	4	2	2	1	5	0
Auto (Green)	6?	2	2	3	4	4	6	0
Pharma (Dark Green)	3?	3	1	1 + +	1 +	2	3	0
FMCG (Purple)	2?	4	5	5	5	3	2	0



Should I Buy Now



Stuff I Would Have Loved To Cover

- Psychological aspects that affect investing
- Black Swan Effect
- Intuition fallacy, Priming effect, Halo effect , Confirmation bias
- Narrative fallacy, Silent evidence, Anchoring effect
- Hindsight bias
- Our search for causes

Q&A