<u>Checklist Point/Criteria</u>	**<u>Rationale</u>**	**<u>Example where used (You can include your name here if you wish)</u>**
Is the company's moat contractual/regulatory, or driven by unit economics?	Regulatory/Contractual moats can disappear when regulation changes	Noida Toll Bridge corrected ~40% when the concession agreement was renegotiated.
Is the stock price being punished for reasons unrelated to its operating performance?	When the overhang disappears then the stock gets re-rated rapidly	SUN-TV-Reached 52week high when the case against its promoters was dismissed by a CBI court. To note, even earlier, the company was allowed to bid for its license renewal, so the promoter case dismissal was not related to company cash flows/risks
Should one be looking at the ROE of the company or the ROCE of the business?	Many times it is the ROE of the business that is more relevant -- i.e. remove cash on balance sheet, remove debt (and so PAT increases) if you think it will be paid off soon	No names to share but I believe this is something one has to watch out for when evaluating a company. Banks is an extreme example where ROE matters as you cannot measure debt. Ditto for debt free/negative working capital companies like FMCG
Is this a cyclical business?	Confusion cyclicals for secular growth businesses can be deadly, especially at the extremes	Used it to avoid losing money by realising that if a cyclical is doing very well then its probably not the right time to buy. For example, I purchased Hindalco at 189 around 2 yrs back, and after dipping 60%, the stock price has just recovered. Same for Vedanta which dipped 67% and now has recovered. Be willing to wait VERY long.
When its too good to be true, then it probably is	Companies showing exponential growth YoY/QoQ consistently can attract a lot of investor interest. One should always be suspicious of such companies and not take the numbers at face value. One should look at the accounting policies and focus	Aggressive revenue recognition by Shilpi Cable. Revenue recognised on dispatch and not on transfer of ownership to the buyer leading to increase in accounts receivables.

	more on cash flows rather than income statement.	
Does the company consistently take writeoffs contrary to past public pronouncements or its business model?	Boiling frog syndrome-some companies give bad news slowly to investors till they are mired too deep to escape	-Private sector bank NPA recognition(Axis/ICICI/YES)-compare versus IndusInd, Kotak -Treehouse unexplained cash decline due to which Zee Learn merger called off -Den Networks writeoffs of cable operator receivables-but explaining delay as reconciliations
Company reluctance to disclose pending regulatory issues	Pharma companies lack of disclosure on publicly available inspection letters;	-Cadilla in Dec-15 did not disclose the overhang of FDA issues despite the letter being available. When ET reported this with a lag, the stock price tanked.
Capital Misallocation	Companies draining capital on unremunerative pursuits	-Reliance Jio entry of Reliance -Balaji Amines hotel foray? -Holding company discounts -Cairn India loan to Vedanta -PSU Banks legacy NPA portfolios
Promoter attention diversion(but not capital misallocation)	Promoters attention outside the core business	-VRL promoters aviation foray(the stock is range bound between 250-320 from earlier levels
Mergers BETWEEN UNRELATED PARTIES announced at throwaway valuations/distress sales and unexplained rationales	This often means that one or both companies have something to hide	-Zee Learn-Treehouse-While Treehouse seemed getting the raw end, it transpired that the share was near worthless due to cash flow issues. Merger called off -Satyam-Maytas-Most (infamous) examples of them all!
Market illogical reaction to news throwing up oppurtunities- to which you react by panic selling	Often, market prices things illogically and this allows you to benefit from this	-When GMR Infra announced its issue of debt to a Middle East fund, the stock price tanked from ~17 to ~12 possibly due to pecking order theory! This was quite odd and it recovered quite soon -Idea-Vodafone merger impact on Bharti Infratel share which fell to 285, then returned to 300-320 levels

Failed turnaround stories	Appointment of a new CEO or management team is seen as a key trigger to re-rate the stock. That said, one should beware of past flops	-Dhanlaxmi Bank(Amitabh Chaturvedi expansion plans??)
Management too focussed on the stock price over long term	Such managements	-DCB Bank announced a plan to double its branches despite projecting lower ROEs, but slowed it down AND repriced stock options. Whether this preserved investor value is to be seen -Promoters wiith political focus(Vikas WSP etc)
Is the company at risk from substitutes and riding a wave?	Once substitutes kick-in, the pricing power comes down.	-Guar Gum use in fracking-this declined in 2014-16 with oil prices fall & availability of substitutes-hence leading exporter Vikas WSP share price single digit.

References (Feel free to add more links to publicly available resources)

Anil Tulsiram's excellent writeup on investing mistakes
https://drive.google.com/file/d/0B8Mr8IuAEwz7V0IzMkNIeEY2RFU/view?usp=sharing
http://forum.valuepickr.com/t/checklist-i-go-through-before-i-buy-any-stock/538 especially the last 2 posts