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Interview of Basant Maheshwari

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Interview with Basant Maheshwari

Safal Niveshak (SN): What are the key factors that shaped your life as an investor? What inspired you take up investing as a full-time activity?

Basant Maheshwari (BM): My maternal uncle was into the investing field. He was actually a broker for the Calcutta Stock Exchange. So, as a kid, I used to go there and look at the Economic Times. I didn't get a hang of it. I won't say it inspired me, but it made me curious of the market, but I knew nothing.

So when I was in college, I had a couple of friends who were badly into stocks. It was the Harshad Mehta era. They would miss classes to look at the stock markets.

One of our friends used to tell me how a stock was selling at an EPS of Rs 20 and that it would get a P/E of 20 and the price will be Rs 400. So I was really attracted to his style. We wondered how this guy knew what price the stock would trade at. Why he was talking about the P/E of 20 was never our thing, because we didn't know what the P/E meant.

Harshad Mehta was a great Pied Piper for the Indian community, because everybody got attracted to stocks in his era. So I had no objective as to why I was in the market at that time. The only thing was that I wanted to make

money…and how much money, what to do with that money, there was no sense to it.

I just wanted to do something because it was making money for me. Thankfully, I was not into stocks to such an extent that I left my education. My focus was to make ten, twenty, thirty, and forty thousand. I made it and then I blew it all.

Next era was during the Ketan Parikh period. I was into stocks all this while. One of my friends was a stock broker. We used to look at The Economic Times by running our index fingers to the right of where the stock was. So we used to identify the lowest P/E stock selling at the lowest price.

So the lowest price with the lowest P/E was the most attractive investment at that time. That was how we used to do it. For example, if the P/E was 3 and the stock was trading at Rs 9, it was the best deal. If the P/E was 3 and the stock was trading at, say, Rs 200, it wasn't as good as the stock that was trading at Rs 9.

I was into my family business, which was doing well then. I used to tell my father that I wanted to invest, but he was against it. He said stock market was gambling and that I would blow everything up.

So we struck a deal. He used to give me a salary every month. I used to take that money on the 1st of every month to put into the market, without

any serious thought as to what I was doing. Portfolio creation and allocation were far-far away.

I just didn't know what I was doing. If the stock was selling for Rs 50, I used to buy 500 shares. If the stock was selling at Rs 100, I used to buy 250 shares. If the stock was selling at Rs 500, I wouldn't buy it. That was the theory.

Between 1994 to 1998, Infosys came right under my nose. We saw their good results, but there was always these thoughts like – "Who would buy Infosys if you take away all their employees tomorrow?" or "It only has computers and chairs and what are those worth for?" or then "I can create an Infosys by hiring all those people."

That was the only concept at that time, and it was thoroughly foolish. But that is how you start.

By 1998-1999, the tech fever had started, and stocks were surging. That time, I chased the second-liners. Zee TV was the darling of the market at that time. In 1999, there was this company called Shree Adhikari Brothers. They were starting a channel, after having done a lot of good programmes on Doordarshan.

And I though this will also do well because Zee TV was doing well. So I bought the stock at Rs 130. It went to around Rs 2,000. Similarly, I had bought other stocks like Pentamedia Graphics, Silverline, and DSQ

Software. I also bought a lot of pharma MNCs, but slowly my portfolio got heavily loaded with technology stocks.

That was when I was really focused on buying the lower P/E – the poor cousins as you might call. So, in March 2000, if Infosys was trading at a P/E of 300, I thought it was too much, so I bought DSQ Software which I bought at Rs 300 and the stock touched Rs 2,800. Now because I could not draw a higher salary from my father's bank account, I borrowed a lot of money from Standard Chartered Bank (owing to our business relationship with them).

I still remember those evenings when I went to the bank to pledge shares and withdraw shares. One fine day, we were in Jammu and I was at the mines (we were a mining company), and there was a complete dislocation of communication there. The market fell in the meanwhile, the bank would have sent me a margin call letter at my home here, there was nobody and the letter got returned, and then the bank sent a telegram, and then they sold all the shares.

In 2000, around April or May, everything got drained out. But that was one part of it. The second part was that when I got to know that my bank had sold all my shares, I went and bought all those shares at Rs 100-200 higher prices. So that is how it happened. This was the background.

After the year 2000, when I had lost everything, including our family business owing to the government taking away the mines from us, we had

nothing to fall back on. That was when I started teaching. It was that time I heard about this book called One Up on Wall Street.

Before that I had no clue that there was a "book" on the stock market, because stock market was gambling. How could you have a book on how to gamble?

So I got hold of that book. In it, Peter Lynch talked about 10-baggers, 50-baggers, and 100-baggers. And I asked myself, "Can prices go up 50 times, 100 times?"

That was the first serious thought I gave to investing. I realized then that this was the only place I could have made a lot of money. That was a concept that was clear.

I had seen people make a lot of money. My maternal uncles were here in this field. Of course they were brokers. So that is how it actually started.

And then I started reading. I had just heard about Warren Buffett at that time, but I did not read any of his letters at that time. But the first big break came to me when I read Peter Lynch's One Up on Wall Street.

In hindsight, it looks very amateurish to many people, but that is a very classic way of getting into the market. So that is what really put me there. And after that, it was all on-the-job kind of learning for me.

SN: How would you describe your investment philosophy? Has it changed over the years? What has gone out and what has come in?

BM: First thing, I will never buy a stock unless I think I can make 10-times out of it. Many ideas look good to me for a doubler for next year, or say 50% in six months, I don't touch them.

This is because my thought is that if you play for a 50% game and you get it wrong, you can also lose 30%. But if you play for a 1,000% game and you get it wrong, you will at least get 100%, 200%, or 300%. That is assuming all your analysis is correct. The market externalities that are not in your hands cannot disturb you too much.

So that is my only investment philosophy.

There are many stocks I've sold because I thought those stocks would only double or triple from that point. And by chance, that has almost been the peak.

Like there was a stock called Television Eighteen (TV18), where I made around 16 times. That I sold because I thought at max I would only double it. So why play for a double? If I want to play for a double, I'll go and buy HDFC Bank.

So that is the basic philosophy. Of course, I also look at management quality, return on equity etc, but those are separate things. But my basic attraction to a stock will only come from there.

Now how it has changed is that earlier when I had nothing to lose, I just wanted to be with the stock that would give me the highest possible return and allocate as much to it. That has changed in the sense that now, of course I want to be with the growth companies, but I also look at the risk very carefully. I just cannot afford to lose.

This is because I am willing to put a lot of my own capital and a lot of borrowed capital also. So when you are on leverage, you just cannot take any chances.

I figured out that having 50% of your net worth in equities and 50% in bank FDs, and buying inferior grade companies for a 40% jump on the 50% you put into equities, is not that good a strategy as having 120% in equities in high-quality companies that can give you 20-25% return.

Most people would allocate 50-60% to bank FDs and FMPs and those things, and for the balance 40% they want to maximize returns by trying to chase 40%. Of course, I also aim for 40%, but that has to come with very reduced amount of risk.

I will give you an example. Look at cash flows of companies. It is very hard to lose money on positive cash flow companies.

Let me give you an example of a company that is growing at 40% per annum and it generates free cash flow. What it does is it uses its free cash flow to do capex and to expand business. So when growth slows, and say the growth comes to 15% or 10%, it would not do much capex at that point of time. So all that capex money that it was using from its free cash flow would now be diverted for dividends.

And that is the time when you'll get a protection. And the stock will not fall. It will wait for you to get out whenever you want to.

So initially, I didn't know this. I was holding Pantaloon Retail, a negative cash flow company. And when it fell, it fell like a stone in water. Same with TV18. But I was very lucky in TV18, a game of chance you can say, not so smart enough in Pantaloon where my initial price was Rs 7 and the stock went to Rs 875, and by the time I actually sold it was Rs 300.

So, nowadays, if there is a high growth company and it has got negative cash flow, then I am not too much interested in it, because I need both the buy and sell decisions to go right.

But if it's a high growth company and it has positive cash flows, then when growth stops, the capex will not need to be done because the company won't have a market to grow, so I will get dividends.

So this is a small, but very significant change in my investment thought process. That is how I manage to hold those 30, 40, 50 P/Es because I know I won't lose money as dividends would double up. So that is how it happens.

SN: Value investing requires a great deal of research, discipline, and patience. What do you suggest an investor just starting out could do to practice these habits to ingrain them in his/her investing mindset?

BM: First is, he has to read. There is no substitute to it. Reading also isn't enough. You have to practice what you have read. A person who practices 5 books that he has read is much better off than a person who has read 100 books and practices nothing.

A general investor, in most cases, is a cynic. You tell him anything, and he will come up with an argument why that will not happen. He will use 400 questions for things that are not relevant. Like, how many people have said that Asian Paints and HDFC Bank are overvalued? And since how long? I think it's been 10 years.

At some point you've got to stand up and say that there's something that I can't understand, which people don't do.

And as a young investor, first thing he has to do is that he has to catch hold of his guru (teacher), whoever he is.

You've to catch hold of some guy whom you think is smart enough, and has got a balanced view. Make friends with him.

Also, avoid blogging too much on equity discussion sites because on online forums, the guy who buys 50 shares shouts the loudest. And the guy who buys 5,000 shares doesn't talk and doesn't write. He just reads. So the guy who is screaming the loudest is the one you got to ignore. But he will make sure that you get chickened out of a position.

There is a confluence of factors. First, you got to read and then second is this theory of having passion. It's all linked up. You got to make money first to be passionate about something. So there is no sequence of events here. You got to be passionate, you got to be curious, and then you also have to make money.

So if you don't get success in the first year or two, then it's very likely that you're going to slip into a trap where you'll want to recover your old losses and move away from the original direction.

Now, the young investor, he expects the market to know that he has limited capital. Market doesn't care about how much capital you've got. If you've got Rs 1 lac, or Rs 1 crore or Rs 10 crore, the market does not care. It's not going to make your Rs 1 lac into Rs 10 lac just because you got a lower figure. The market has no emotions.

The market can cut you into half, whether you're at Rs 1 lac or Rs 10 lac.

Mostly, the point is that people don't have a long term view, despite that they all understand compounding.

If you meet somebody and say that you can compound money at 26%, he'll say "Oh, that's a lot of money!" And then you tell him that if you buy this stock at Rs 10 and then next year it will go at Rs 12.6, he will tell you, "No! Tell me some stock at Rs 10 that is going to double in six months."

So the same guy who walks out of his bank with a FD receipt that promises to pay him 8.5% calls up his broker and wants to double his money in six months. How can there be such a dichotomy in returns?

I believe a large part of this can be cured just be reading, making notes, and if possible getting into a group of smart guys around.

Overall, I think it's the chicken and the egg race. You got to make money also. Because if a strategy does not work for you for 2-3 years, you can't be as passionate as like you were when you started.

SN: You've talked about the importance of reading. So, is there one book that has shaped your thought process as an investor?

BM: It is Peter Lynch's One Up on Wall Street, because it told me I can make 100 times in a stock. That's it!

You can dispute that this book was written in 1989 and by then, the US had its best bull market and Peter Lynch had a fantastic time to manage money. But at least he gave you the confidence.

I would put Peter Lynch one notch above Warren Buffett also. Why? Buffett gets very good deals. He is very smart. He won't tell you as to how much of his effort is because of the use of the float that he has.

A lot of people say – "Warren Buffett says we should always hold some cash." But please note that he has got an insurance company. He can't be fully invested. He's got to pay the claims also. So this is called selective listening and myopic thinking.

Go and see what Buffett used to do during his earlier ears. Read the partnership letters from 1958, and you'll get a sense.

You see, you cannot follow one person at all times. You've got to borrow something from everyone.

"How to find a stock" has to be borrowed from how Peter Lynch did it. "How to analyse a business" has to be borrowed from how Warren Buffett does it. And "how to hold on to a position", if it goes up 20, 40, 50 times, you've got to fall back on Jesse Livermore, irrespective of whether you are a fundamental investor or a technical chartist. In fact, chartists don't follow Livermore as much as they should, because Livermore was a trader.

A chartist you see on TV will tell you, “Sell this is this goes up 10%!” Hey, you are a chartist, a trader, how can you sell it when it goes up?

I think you should mention this specifically. Any stock that you buy can go down 100% only. How much can it go up? 200%, 500%, 1000%, right? But still people lose money.

Why? Because when it goes up 20%, you want to book profits, when it doubles, you want to sell half of it and get the other half free. Do you do this with your home?

You bought a home in Gurgaon, and it went up 5 times. Would you sell the verandah and say now my kitchen is free, or sell your kitchen and say my living room is free, or sell your bathroom and say my bedroom is free? You don’t do it!

So that’s the problem because we all try and cap our profits.

So, overall, One Up on Wall Street is a fascinating book. Though it’s written for the US market, but I got many of my ideas from this book. I read it once every 2-3 years.

This is a wonderful classic. And then there are so many of them.

But then, as I mentioned, beyond a point, books won’t help much. You got to practice what you read.

SN: Compared to when you started investing in 1992, the sheer amount of irrelevant information faced by investors is truly staggering today. How can investors trapped by irrelevant information make independent investment decisions? What are the 4-5 factors investors can use to improve the quality of their decision making?

BM: You have to look at a piece of information and ask, "What difference does it make to the company that I own?" Like, I bought Pantaloon and made money. That's well-documented everywhere.

When Pantaloon was doing its books, it used to carry inventory at sales minus gross margin. Normally, you have to do at cost or market value, whichever is lower. So there was a buffer there.

So if the inventory should've been valued at Rs 40 crore, they used to value it at Rs 60 or 70 crore. There was a lot of hue and cry about this. People said, "They're overvaluing it!"

At that point, I was also into this confusion as to how to evaluate this inventory part of Pantaloon. Then, one day as I was thinking about it, I thought of calculating how much it worked to. It came to about Rs 20-30 crore. Compared to this, the company's market cap was about Rs 1,000 crore. The company was making more than Rs 20 crore in quarterly profit. So anybody would have said, "What difference does it make anyways? Pantaloon can write it off in one quarter."

I am not saying they were doing a great job. All I am saying is that all information has to be converted into numbers.

You cannot have a situation where you just look at the information and then you worry about it without getting into the numbers part. Once you do that, you won't be bothered too much.

And just like I said earlier, a person who doesn't own the stock, he will always have 20 more reasons not to own it.

Also, for all multi-baggers, for every one reason to buy them, there are ten reasons why you should not buy them.

Like I'll tell you, in 2009, when I bought Page Industries, it was at Rs 350 and their license was valid only till 2010. I called and asked the Company Secretary whether I could meet the President of Jockey International. He said I can't do that.

So I went to the company's AGM that year. I asked the President whether he was going to cancel Page's license. He asked "Why?" I said, "It's valid till only 2010. Are you going to extend it?"

He said, "Yes, we will extend it. But I can't give you any more information."

Then I asked, "Have you cancelled any licence in the past?" to which he replied that he hadn't done that till date. He also mentioned that a license

can be cancelled, as per the agreement, only if Page did not produce anything for sixth consecutive days and there is no force majeure involved, or if the promoter holding went below 51%.

So these two reasons were enough for me to frame an opinion that this licence wasn't going to get cancelled in 2010. For anyone else, he would have discussed it at least 200 times on internet forums as to what would happen if this license was not renewed etc. etc.

Of course that was a very relevant point, but for a relevant point, you need to dig deeper. At such times, what happens is that people don't want to give much of leverage to any company. But then, most of the big money is made by betting on first generation promoters, where there is no track record.

So all information you get about them will be unsubstantiated, and undocumented. It will mostly be on hearsay. But then, you have to give him some leverage, some benefit of doubt.

Who knew Narayana Murthy before 1994? Who knew Subhash Chandra before 1992? Who knew Kishore Biyani before 2002? Who knew Mr. Genomal of Page or Mr. Jagannathan of TTK Prestige before 2009? Of course, we had heard about them, but there was nothing we knew about them.

So most, not all, of the big money will be made on first generation promoters where there will be too much of negative information. And you have to convert all that information into numbers.

SN: You've mentioned in the past that your way of making money is by riding trends while keeping the downside risks in check. Please elaborate on your processes of (a) identifying trends, and (b) keeping the downside risks in check?

BM: Let's look at 2-3 trends from the past – the software trend of the late 1990s and then the infra trend of 2000s. Of late, we have this consumer discretionary trend from 2009. Now look at these things – new highs for all the stocks enjoying a trend.

So if ACC and Ambuja were making new highs in 1992, and Infosys, Wipro etc. were making new highs in the late 1990s, Unitech, IVRCL, Nagarjuna Construction etc. were making new highs in mid-2000.

So the first thing is that if a trend is there, all companies in that sector, or at least most of them will be hitting new highs. It's not a 52-week high. It's a new all-time high.

Secondly, most of these companies should show above average growth. You can't have a situation where Bharti Airtel is growing at 18% and you say it's a new high.

Nobody is interested in buying a company that is growing at 18%. Many are interested if it grows at 25%. Plenty will be interested if it grows at 35%. And everybody will be interested if it grows at above 50%.

So, the percentage change in growth is only 10-15%, but the amount of incremental investors it can draw in is huge. So 25% and 35% is like day and night.

Secondly, above average growth has to be there, for almost all companies in that sector, for a new trend.

Third, most of these companies when they are hitting their new highs, the scale of opportunity has to be big. For example, you can't sell wipers for somebody who's wearing spectacles and say this is going to be a new trend. Or you can't sell remote-controlled toothbrushes, and say this is going to become a new trend.

More often, you have to do a copy-paste job. So if you throw a company to me and ask, "How does this ABC Company look to you?" I'll ask, "Is there any company in the US or Europe that has made it big in this business?"

If there is none, then I would not be interested, because business models don't change too much. Human nature is same and what humans consume remains same. Our culture might be different, but the end consumption levels don't change too much.

So if something has worked in the US, it will work in India. And we can get a fantastic head-on advantage. We are 20 years behind them. So you can choose to do a copy-paste job there.

Also, new trends will mostly have first generation promoters, about whom you would not have heard before.

Like Mukesh Ambani did not go into software in 1992. Tatas did not go into infrastructure and construction in 2003. So these things will keep on happening, because when a new trend is starting, you will not have too many known names there.

Now that's a problem, because you have to bet in the unknown. But that is where the money is made.

So these are a few things. Of course there are other checks as well. But if you give me a stock that is making a new high, and another one that is making a new low and irrespective of how much fundamental analysis I do, I will be more attracted towards a stock that is making new highs than one that is making new lows, because most of the time new lows take place when shareholders don't know what is happing with the company.

SN: Well, that was about identifying trends. How do you keep the downside risks in check?

BM: Earlier, I was willing to lose what I had. So, the only downside risk I had was that I used to sell stocks just like that. Now, I try to buy companies that are showing increased dividend payments. So if it's paying Rs 10 today, next year it should pay Rs 11, the year after it should pay Rs 13, and then Rs 15 and so on.

Like I gave you an example of the capex thing. If I bought a high growth company that puts, say, 30% of its profits into capex every year because it needs to put up a new plant and machinery for catering to new growth that is going to come, and it also pays you dividend. So when growth slows down, and the trend starts to break (which can only be known in hindsight) more of that money will be diverted as dividends.

There are companies that like to hold cash and not pay anything. There it becomes very difficult. But with companies that pay you dividends every year at a certain rate, and the dividends are rising, in those kind of companies if the growth does not come across, then they would divert money for dividends. And the dividend would come in as a protection.

So from a 1.5% yield, it will become a 2.5% yield. But, normally, in a very high growth company, I need a 1% yield at least. This is because a 1% yield with 30-40% earnings growth is very good, because when the growth slows down, the money will come back to you.

Apart from this, you have to assume that when the trend breaks, you won't know in foresight. It will come to you in hindsight, and you have to act 20-

30% down. In the past, all companies who were leaders in their sectors, they almost doubled up before the trend broke.

Like ACC was at Rs 130 in 1992, three months before the trend broke. And at the peak it went to Rs 399. Then it fell down from there.

Similarly, Infosys from Rs 600 went to Rs 1,700 in three months in 2000, and from there it fell back to Rs 900. So before a trend breaks, the stocks would normally move up 50-100%. That's the final blowout phase.

So, many times what happens is by looking at just the price of the stock, I get a sense – whether it's right or not I don't know – whether it is the final terminal value or is it going to go back a little more.

But, basically, you have to take it that you will never know it in foresight. It will only come to you in hindsight that the trend has broken. But you should make enough with the trend.

And who said you have to buy at the lowest point and sell at the highest point to make money?

You can buy somewhere near the lows and sell maybe 30% lower than the highs and still make enough money.

SN: I think not knowing the trend breaking up in foresight is what causes people to overpay. How do you differentiate between whether you are paying up for a stock or overpaying?

BM: It depends on which year's earnings you consider. Are you in FY14 or FY16? Today, if you look at many of the engineering companies, they are doing well because people assume things will change. And on an FY16 basis, they are at around 25x P/E. And a classic secular growth company, on an FY16 basis, could be on 30x P/E.

So why won't I pay 5x more and buy a classic secular growth company instead of trying to become the smart guy out there by first assuming how this engineering company will turn around and how much it will make in FTY16 and then try to say that this company is better because in FY16 it will trade at 25x against your secular growth company that is trading at 30x?

The first problem of overpaying or not overpaying comes because who will decide which year's earnings have to be looked at.

And for companies that have predictable growth, where there is surety, the market will put the stock at an expanded level for as many years as much as you can predict the growth. Like HDFC Bank, I think, remained in a range for four years between 1999 and 2003. It traded at a price-to-book of more than 7x. And then it came down to less than 3x also. But the point is,

how many people would have thought that at 7x, HDFC Bank could have done nothing from there on, and sold it.

Good companies, like good life partners, are not too many. You find one, you stay with it, till the time the partner doesn't do that you don't want it to do.

But I think the biggest problem is that when we compare companies, we compare them with trailing earnings. Like I will compare Tata Steel's with Tata Motors's trailing earnings.

But Tata Motors's earnings are more predictable than Tata Steel's. ITC's earnings are more predictable than Tata Motors's. Because of government regulations on ITC, Nestle's earnings are more predictable than the former. So I can't put everything in FY14 (trailing) earnings. And nobody knows whether you should look at FY15, or FY16, or FY17.

In all, overpaying is not a problem, as long as the trend remains, and as long as you can predict.

Also, overpaying is not a problem with predictable businesses. However, you also need to see that the prediction you are making is on the right scale. You just can't predict endlessly.

SN: How does one escape from over-analyzing? In other words, how much time does one devote to analyse a stock idea? Are 'few hours per week' sufficient, as Peter Lynch suggests?

BM: It depends on what company you are analyzing. If you have bought a company whose future is based on what the Supreme Court has to offer, then you got to go into the Supreme Court and sit there, and listen to what the judges say. But if you got a Hindustan Unilever in your hand, you can just hold it for 10 years.

See, the thing is that 80% of the company information is available in the first 20% of the time you put into it. And in the balance 80% of the time, you will never be able to get the balance 20% of the information.

So then it becomes like he law of decreasing returns, in fact, ever-decreasing returns. Then we start looking at useless things.

That incremental analysis does not add too much value. But again the thing is, first 80% of the information comes to you in the first 20% of the time and from then on you will get the hang of the company, unless you have left it entirely to the mercy of the government, and regulations, and judiciary, and the London Metal Exchange (LME), then you need not analyze also.

SN: Also, when you over-analyze, you get into that illusion of control. I feel the more I know, the more I can control the outcome, which doesn't happen actually.

BM: Yes, that's very true. So, when someone calls me about a stock, after a brief discussion, the first thing that comes to my mind is and that I ask him is – "Is this analysis making any difference to whether I'm going to keep holding on this stock or am I going to sell it?"

Like somebody can tell you, "I bought this product from that store and this product doesn't work!" But if the company is growing at 30-40%, probably you are the odd one out. And if the company is making 5-10 million pieces, then obviously there will be 20 products that will not work.

The first indicator of the customer feedback will come to you in terms of rising or dropping sales.

But most of the time we spend in getting the balance 20% information, which is not relevant at all.

Then it also depends on how many stocks you own. If you own 20 stocks, you can give a business a little more time to perform. If you have 5, then you don't have any margin for error. Then, on the first sign of distress – not a confirmation but the first sign of distress – you got to say, "Thank you so much! I can't be with you anymore!"

SN: You seemingly keep a concentrated portfolio with no more than 10 stocks. What is your maximum cap (as a % of your portfolio) on a single stock and how do you arrive at that allocation? If someone

were to start investing today as a fresher with average knowledge, experience and emotional intelligence, would you advise a concentrated portfolio?

BM: If he wants to concentrate, then he should let the market concentrate for him, or if he understands the company very well. If I'm working in TCS and I know what Mr. N. Chandra is doing to TCS, I don't need anybody else's advice. I will put my entire money to work in TCS.

People might say that you are working in TCS, your salary is coming from there, and your investment is also there. But then, that is what I understand best. I might be able to sell the stock the moment I get the pink slip. But if I'm working at TCS and I bought a lot of Infosys, and there's some problem in Infosys, I might never be able to know about it.

You see, concentration is for creating capital. Diversification is for protecting capital. If you got 40 stocks, you will do only as good as a normally diversified mutual fund or an index fund.

A new investor should start with a certain sense of diversification. And when he starts understanding the companies he owns, then he got to concentrate.

This is also a function of how much stock market allocation you have out of your net worth. If your net worth is Rs 1 crore, and you have Rs 5 lac into

the stock market, and you have diversified it across 40 companies, then it makes no difference.

But if my net worth is Rs 1 crore, and I put that entirely into the stock market, then I've got to diversify.

So I think it is a function of how much of my net worth I have in the stock market. I think most people forget their net worth while analyzing the stocks they own. But I think that has to be in combination of that.

SN: Do you believe in the importance of maintaining an investment checklist? If yes, what are the most important points on your checklist?

BM: Let's take an example of, say, a company like ITC. The first question I will ask is, "Is it cyclical or non-cyclical?" It's not cyclical. So, basically it means that you can predict.

I assume that I don't know anything about ITC. Now, I will open the company's annual reports and see the fourth year figure. So if I'm in FY14, I will see how much revenue it earned in FY10.

From FY10 to FY14, in four years, it has got to double. If the revenue has not doubled in four years, then I don't get excited. I am just looking at revenue at the moment. I have not yet dabbled with profits.

I will then look at the return on equity (ROE). ROE should be more than 25%. Then, if I find the ROE to be above 25%, I will look at the dividend yield.

Then I will look at the profits. So if the revenue has doubled in four years, and if the profits have quadrupled, and if the EBITDA margin is sitting at 30%, I'll say that margins can't expand from here on.

So if the EBITDA margin is at 30% and the revenue is not growing at more than 18%, there there's some risk involved. Then I will look at similar businesses across. I will also look at the management – how much dividend it pays, and does it pay taxes or not. Then I will ask whether the industry is growing or not.

You see, this is just a two minute check on how I do it.

SN: While they are very critical, "competitive moats" are also tough to define. How do you define a moat, and assess whether it is sustainable or fleeting?

BM: See, some moats are good only in the textbooks. For instance, look at Container Corporation. It has got a good moat. Indian Railways has a fantastic moat, but it does not make money.

So, I don't agree that moat investing will always make you money. Moats that give you the right to increase prices at will – at will is the important

term here – those are the only moats that are relevant from an investor's standpoint.

Take for instance, Horlicks (Glaxo Consumers). It increases prices by 6% every year at will. So that is a moat.

The textbook definition of a moat is that you put up a lot of capital, and there's a network effect etc. etc. But the moat which really works is pricing power. This is because prices can increase 100%, but costs cannot be cut by 100%. Costs can be cut only up to a point.

So I think the definition of a moat is good to debate, but all moats don't translate into prosperous shareholders.

If you have pricing power, you will have competitive advantage, you will be dominant, and you can skim the cream out of the consumers. And in a bad environment, you can get around the situation as well.

How many companies would have survived an excise rate increase like what ITC has done? They would have gone bankrupt in the second or third year.

Of course, we've learned a great lot from these American investors like Warren Buffett, but you also have to consider that maybe Buffett talks about moat in a different way. He gives us a definition. And Buffett also does not say that you've got to invest in all the moats.

Facebook has got a big moat, because it has got the network effect. All my friends are on Facebook so I won't go to any other social media site. I will remain hooked on Facebook. But Facebook is slowly losing its challenge to Whatsapp.

That is what we have to actually look at – the sustainability of the moat and whether it will translate into higher ROE.

Why? You see, ROE has got three components – net profit margin, asset turnover, and leverage.

Let's leave 'leverage' aside for a moment. So if you've got a low capex business, your asset turnover goes up, and if you're making higher margins, your pricing power comes into focus.

If you've got a pricing power, and you've got a high asset turnover, you'll get a higher ROE, which is the best moat to have.

So you look at the ROE and just try and segregate it away from the incremental addition it has seen because of excessive use of debt. That's I think the best indicator of a moat.

If you don't want to get into the confusion of moats, just look at the ROE. But you've got to break up the ROE and see.

Like, let's look at net profit margin, which is "Net profit / Sales x 100". What happens is, between sales and net profits, there are so many expenses – like employees, raw materials, advertising, distribution, etc.

One thing that nobody talks of is that there is a certain amount of moat called "distribution".

All FMCG companies have lac of touch-points. How do you translate that?

You can sell all the products that Dabur sells. But how do you go to the remotest village and get in relation with a guy who has a small 20 square feet store there. It's very difficult. So that is one point that nobody talks about. Distribution is also a big moat. That distribution helps you again in making more money.

See, a company can grow in three ways – new products, new geographies, and new distribution. A company that does well on all these accounts should have a high ROE.

SN: Value investors generally tend to buy and hold for long periods of time and literally marry their portfolio. Assuming that we have been rewarded for our efforts by a few multi-baggers, how and when should we exit when we are sitting on huge gains and emotionally attached to the stock?

BM: First is, you've got to love your family and not your stocks.

I love the stock only till the point the stock loves me – in doing what I wanted to do. If I find that my stock is not rising at the rate I wanted it to rise, or is facing headwinds, then this is not a place I got to give it a lot of time.

Because if you relax a little bit with a stock that is not acting in your favour, then you might lose a lot of money as well.

Talking about when I would sell my stocks, first is when I will get a better idea. If there is a better relative opportunity, then I will sell.

Let me explain this with an example. Till 2006, I held Pantaloon and TV18. I sold Trent because TV18 was doing a spinoff, and I had read in this book called "You Can Be a Stock Market Genius" how spinoffs make money. So I was sure this stock would do well for me. So there was no big reason to sell Trent but still I sold it and bought TV18. And Trent, even after eight years, is still at the price I sold it.

So there has to be a better opportunity when you sell.

Second is when the present discounts a great future. You can look it from a market cap angle also. When I sold TV18 in 2007, it was trading at a market cap of more than Rs 5,000 crore, which did not make too much sense at that point of time. The company had no cash flows, it was diluting equity, and it was raising a lot of money.

So at that time, the present was discounting a great future ahead. And that is why I sold.

Third, I sell when the trend finishes. Take, for instance, Pantaloon Retail. I did not sell it at Rs 875 and the stock fell all the way to Rs 300, when I sold it.

I was a little late to react that the trend had finished because Pantaloon was trying to do its spinoffs at that time. So I thought that once it does its spinoffs I would get a higher price like I did in TV18. Recency bias got into me.

I was willing to give it some more time, and then some more time, and then some more time. By the time it was clear to me that this trend was finished, I sold Pantaloon.

Then in 2009, I got into a lot of these cyclical names like Voltamp Transformers, Blue Star, Thermax, etc. They were all cyclical businesses. So I sold because I made 2-3x in 2-3 months, because with cyclical, the moment you make money you've got to sell. You can't take a long term view with these.

As an investor, I am always trying to maximize my last rupee. I don't have a concept like, "Okay, I bought it at Rs 200 and now it's at Rs 600." What difference does it make?

My cost price is the last price that is displayed on the screen. When I do my excel, I have no column for my cost price. So when people ask me, “I had bought this at Rs 50 and now it is at Rs 150. What should I do?” I say, “Forget what you bought it at!”

If I had put Rs 10 lac in a stock and today it is Rs 16 lac, I need to see what I can do of this Rs 16 lac.

I can’t say that because I came in this world with nothing, I can afford to lose everything. Whatever money has been made in the market, I have to take it from there.

Anyways, I also sell a stock because, for instance, there is a government regulation. For example, I sold Titan. Of course the stock has gone up from there, but my decision to sell it took just about thirty minutes. For a stock that I had held for six years, thirty minutes were enough for me to sell it because there was a regulation that gold companies can’t get gold on lease.

Then you sell when the management does something that you don’t want them to do.

But basically, if you can get just one thing right, sell for a better opportunity and you’ll be saved from all the problems in this world.

If I may give you an example, for an equal return, assume there is a cyclical company with a spinning mill in Tirupur and is on a turnaround path. You tell me that this stock is going to double in three months. I'll tell you that HDFC Bank will double in four years at most. Why take that headache?

But you see, there is a great kick in buying an unknown company. That is what most people do.

I think it's more about how sure you are about making money rather than the absolute amount of money you can make. This is because the latter is dependent on so many variables. And if you can cut down on a few of them, then you are through.

SN: You do a lot of scuttlebutt before investing in a stock. Is there a process to it?

BM: There's no need to do scuttlebutt with every company. What scuttlebutt can I do with Nestle? Scuttlebutt has to be employed when there is not too much of management information, or where there is very little operating history, or where the company itself does not tell you much about what it is trying to do. That is where it helps.

But beyond a point, scuttlebutt does not help you too much.

There are companies that have passed the scuttlebutt barrier, if you may call it. With them, you can't add any incremental value doing the scuttlebutt.

Let me give you an example. In 2003, I used to stand outside Big Bazaar (Pantaloon) to see how many people were coming out with bags. I also used to stand outside Westside (Trent) to see how many people were coming out from there. For every 10 people out of Big Bazaar with bags, there were not more than 2-3 people coming out of Westside.

So that scuttlebutt helped, because Pantaloon was an untested company at that time. Today, you don't need anybody's confirmation that Big Bazaar is a place where people go to buy.

Now, the best scuttlebutt will come from consumers, or from distributors. You should make friends with distributors of companies which you have bought, and an easy way of doing that is to go and regularly buy something.

For instance, if you have bought shares of Page Industries, look at the business outlet near your place, go to the store, once every month, and buy a pair of socks. It's a Rs 120-150 cost, and you get to know what the company is doing.

So many times the guy at my nearest Page outlet tells me, "Sir why don't you buy a pack of three?" I tell him, "I want to talk to you regularly. I don't need the socks!"

So this is how it helps actually. That's it! But as I said, beyond a point, scuttlebutt does not help much.

There are companies where scuttlebutt does not help at all. If it's got a cyclical element to it, then no matter how much scuttlebutt you do, it's not going to save you.

SN: How do you evaluate a company's management? Is there a specific process to do this?

BM: There is no specific process that I follow, because management is an intangible thing.

But a company that is paying taxes, paying dividends, generating a high ROE, and is a sector leader, will normally not be stealing from shareholders.

Like Infosys was a high quality company while Satyam was the deceptive guy. So people lost a lot of money in the latter and not in the former.

Similarly, during the 1992 era, there was an ACC and there was Kakatiya Cement, and Kalyanpur Cement, and so many such companies. All these second liner cement companies were washed away but ACC remained.

So if there's a company you are planning to analyze or you have invested in is a sector leader, then you can be more or less sure that the management is good.

Of course, you have examples of companies like DLF and Unitech. But here there are other checks. Like Unitech's management always wanted to go into diversification like telecom and those things. With DLF, before the company came with its IPO, there were suits filed against the management for not having actually given shares to people who had applied for the shares long time back. So you had enough information there.

Secondly, look at high ROE. A management that steals from shareholders can do it in two ways – over-invoicing its plant and machinery, and under-reporting revenues and profits.

If you under-report revenues and over-invoice plant and machinery, you will never be able to generate a higher ROE. Higher ROE can be generated by having a higher net profit margin, and lower capex.

So if the ROE is high, obviously without debt, and if the company is paying you dividends, and pays taxes, the management is often good.

Now, a great management in a great business creates tremendous value. Like Narayana Murthy with Infosys.

A great management in a bad business will lose value. Like Tata Sons with Tata Steel.

A bad management in a great business will lock value. Take, for instance, Vijay Mallya with United Spirits.

A bad management in a bad business will always blow up value. Like Vijay Mallya with Kingfisher Airlines.

You can't get a great management and a great business combination every time. But remember – you must not partner someone you are not sure about.

Of course, there are people who won't tell you too many things about them. But then, their actions have to speak – like in terms of dividend cheques and taxes. Like most of these MNCs don't talk too much. For instance, 3M is a company that never talks, except on the AGM day. But 3M has the reputation of having had a long history in the US.

A management which does too many conference calls, you are not going to make too much money out of them. This because it is sharing its best with investors beforehand. Markets pay for surprises and not for the predictable.

SN: There are several giants in the value investing field who profess the use of patient capital (no borrowed capital or debt), whereas you

profess taking loan for a stock just as taking loan for a home. Can you throw some light on this aspect of investing?

BM: My first borrowed capital was from my grandmother in 1992, during the Harshad Mehta days. And from there on, for nine years, I lost money on borrowed capital.

So I used to make money and give it back, then make money and give it back. But that was not a primary work for me as I was into my family business. Thus it did not hurt me that much at that time.

You see, borrowed capital must not be looked at in isolation, because you are buying an asset that can rise multiple times.

If you buy a car, which is a depreciating asset and which loss value over time, with borrowed capital, nobody objects. But what you do with that borrowed capital is more important than whether you've used borrowed capital or your own capital.

So if you've bought a stock that goes up 40 times, then if you would have used borrowed capital, it would have actually expanded your gains.

Most investors, in their initial days, can't allocate too much to investing. If you start with a capital of Rs 5 lac and you grow it 10 times, you go to Rs 50 lac. If you grow 10 times, you reach Rs 5 crore.

But instead of Rs 5 lac, say you had started with Rs 10 lac, if you move it up 10 times, you will reach Rs 1 crore. You move it up 10 times more, and you will reach Rs 10 crore.

So the effect of capital comes into force because in the initial days you don't have too much of a surplus capital of your own. So you have to take help from borrowed capital.

But most investors generally don't like borrowed capital because they are not focused on buying only high quality businesses.

I can't buy a turnaround steel company with borrowed capital. I can't buy a cyclical copper-mining company with borrowed capital.

With borrowed capital, I can only buy companies where, if I get it right, the stock should at least get me 30-35% per year. And if I don't get it right, then at least the current price should hold itself.

You do an excel calculation. If you grow any amount of money by 30% for 10 years, and you pay 12% interest on that money, then at the end of the 10th year, you don't make 30% minus 12%, or 18% CAGR. You make 26% CAGR. This is because the spill-over also grows by that amount.

If you are smart and have concentrated positions, it is possible to grow at 30%. But to grow at 30%, you have to be on the lookout for selling at the first sign of trouble also.

I am not saying I have to buy a stock that will grow at 30% for 10 years. I will buy a stock that should grow at 30%.

But keeping the stock selection process aside, with 30% growth and 12% interest payment, you will make 26% every year, on a CAGR basis. So why should you not borrow?

SN: But that's in hindsight. When you look ahead, isn't there this risk of permanently losing money, which can multiply your pain when you are on borrowed capital? It's only after 10 years that you realise that you've earned a 30% CAGR.

BM: I agree, but you are not borrowing two times your capital. You are only borrowing maybe 20%, 30%, or 40%.

This is how you have to look at it. In this market, there is nothing called a bad thing or a good thing. People have made money in Suzlon. People have made money in Unitech. Just because I couldn't or didn't buy Unitech, I can't say Unitech is bad. If it's made money for someone, it's good.

I won't say betting is bad, but obviously it's a question of probabilities. Why people get is wrong is, if you are on borrowed capital, and if you are on borrowed conviction, then that's a bigger problem.

Borrowed capital is less dangerous than borrowed conviction. If your conviction is original, then capital can be borrowed. But if your capital is original, and the conviction is borrowed, then there's a problem again. This is because if the stock goes down, you won't know what to do of it.

If I met somebody at the airport and he whispered into my ear, "Why don't you buy this stock?" and I go and buy it, and then if it goes down, where do I find that person?

And if I look on TV and buy a stock, and then that expert isn't available on TV when the stock price is going down, where do I call up?

So, conviction has to be original, capital can be borrowed.

But the problem originates when people use borrowed money on borrowed conviction. Most people who have used borrowed capital with original conviction have made money.

SN: So you still use borrowed capital to invest?

BM: Oh absolutely! If you have surplus to lend, I am there!

SN: One of the problems that new or small investors face is that they can't really get their heads around valuation. It seems so complex. A lot of the terminology is complex, and so are the concepts. How can

valuations be made easier? How have you made it easier? Or can it not be made easier?

BM: There are two aspects to valuation. One is to evaluate the longevity of the business, which is what Buffett talks about – the business quality, moats, etc. But since we can't get numbers on them, we don't do it.

Now, while starting a valuation sheet, how many people ask this question on the first row of the excel sheet – "Is this company going to remain in business by, say, 2020?" Most people don't do!

And then they don't know which metric to use when. If I am doing a DCF on Sterlite, or a DCF on Hindalco, and the Supreme Court suddenly thinks that it should de-allocate the coal mines given to these companies, then all the DCF goes for a toss.

Let's assume the Supreme Court is kind enough, and says," Okay, since you've started work on the mines, we'll give you time to look into it," who will take care of the London Metal Exchange?

So for cyclical companies, there is no valuation metric that can be used with confidence. Just buy such companies when they are making their five-year lows, and sell them when they go up 3-4 times.

Tata Steel, for instance, will go 3-4 times from the bottom to the top. If it rises so much, you sell. There's no need to value it anymore. If somebody has to make money, let him make money on it.

But, on the other hand, if you have bought a stable and structural growth company, and if you can predict the growth, then ask how much money it will make in the next 2-3 years. That will be a good time for you to actually look at it from different angles, because you're sure about the company.

You see, most of the time, it's not a numbers game only, or it's not a business game only. It's just a combination of it.

But if you ask me the PEG (price-to-earnings growth) ratio, for instance, I don't use it at all. I am a big Peter Lynch fan for the book that he has written, but I don't believe in PEG.

Let's say there's a company that will never be able to grow, you think it will sell for free because 'G' is zero? PEG is just a very broad approximation. But in most of the reports, I see people using PEG.

You see, P/E can go up also for high cash companies. P/E can go up for dividend yield stocks also. You will always try to tear your hair off why this stock is trading at a P/E of 40x, but if it trades at a P/E of 10x, the dividend yield will also be at around 10%.

Look at Nestle. Assume the stock trades at a P/E of 10x – just reduce the stock price to get it to 10x P/E – and then work out the dividend yield, you would find that it will be an exorbitantly high yield, which will never happen.

So there's no single mechanism to get around this thing. Also, there are companies whose P/E are a function of the management also, which you cannot define.

Just because growth is a very good number to work on, most people put P/E equal to G, and then they work on it. It may work in many cases, but in many cases it won't work at all. This is when there's something else that is more significant than the G, then that will take over, like the dividend. And there's nothing more real than the dividend.

Anyways, let me now talk about how to value a moat. Let me give you an example.

Semi-urban and rural India is going to see a boom in the next 5-10 years. One thing that this government is also focusing on is rural housing. I will give you an example of a stock that currently trades at a P/BV (price-to-book value) of more than 10x – Gruh Finance. Now whether this is expensive or not is another issue.

Now consider this – there is a shortfall of more than 6 crore households in India, and Gruh Finance, along with the other rural housing finance companies, doesn't even have 6-8 lac accounts with them.

At maximum, they would have 10 lac accounts. And the total market is for 6 crore homes.

Now, why would Gruh do so well? A guy who borrows Rs 2-5 lac to actually build his home will always be someone who does not maintain a bank account, at least in most cases.

This is because, in most cases, the situation is where the husband is driving a truck and the wife is selling vegetables. They don't have a bank account, so how can banks fund them? They won't, because there is no income proof.

So, even if they are creditworthy, they have nothing to show that they are creditworthy. And thus this market remains untapped. This is why these guys lend at 12% whereas banks lend at 10%.

And this is the 2% that they make. They make it because they understand the structure so well. They understand the market so well. This is a huge competitive advantage I think.

Now, why wouldn't banks get into it? This is because no bank would be interested in that kind of granular lending.

If you see India's banking history, most banks have the higher number of NPAs when they have tried to lend below Rs 15 lac. So if you ask me, I think this is one place where can you get the next 20, 30, 40 bagger.

Now whether this company does well or some other companies do well…some companies will surely do very well, if India is to grow.

Over the last few years, you have seen NREGA, land prices going up, people from villages going to towns and cities and earning, working in software companies, and writing cheques back for their parents. So there's too much money reaching rural homes these days.

Also, prices of food and vegetables are going up, but in some way that is helping rural India. So there's a transfer of wealth happening.

In the Rs 5-15 lac category, there aren't too many companies around who can lend and who have a history of lending. I don't think there are more than 60 registered housing finance companies in India. So there's a huge opportunity here.

The point is, if you try and focus on this sector, then you will make it big. This is one sector where you can find good companies with sustainable moats. But then, this is a 20 year story, not a 10 year story.

SN: Could you please share a few lessons you learned from the mistakes you made in the past?

BM: I lost a lot of money in Voltas, and went through a lot of pain, because from 2003 to 2008, I had never lost money.

And when I bought Voltas because I wanted to participate in the cyclical game, I lost 60% of my money on the stock.

What I learnt from it was that, when next year I bought Thermax, Voltamp, and Blue Star, the moment they doubled, I sold them off. This is because I knew they were cyclical businesses. Because Voltas was a cyclical business where I had lost money, I thought I should get rid of these other stocks as well, after making 2-3 times.

Now, why this is significant is – I think I sold Voltamp at Rs 700, and I bought Page at Rs 600. Page today is around Rs 7,500, while Voltamp is still below that price. That was possible because I lost a lot of money and a lot of energy analyzing Voltas, which was bad mistake. I shouldn't have bought Voltas.

Another big mistake I made was holding onto to Trent till 2006. I should have got rid of the stock in 2003 itself.

Also, my early days were spent in not buying a stock in as much volume as I do now. Like if I bought a certain stock at Rs 10, and it went to Rs 20, I bought. But if it went to Rs 50, I did not buy.

Like I sold Bharti too early, because I thought that kind of a market cap couldn't have sustained. And from the time I sold Bharti, I think it went up 15-20 times. I sold it because I just couldn't get a hang of it.

Sometimes, not knowing enough is also good. Because had I known too much of it, I don't know whether I would have been able to hold on to Pantaloon Retail.

Not knowing enough was good, the price was acting, the revenue was growing, market was cheering up, and that is all what was needed. But if I would have done too much of an analysis, I would have probably sold off Pantaloon much earlier. But that doesn't matter, because I would have made money elsewhere also.

So, sometime not knowing enough is important, as long as your learning process is on track, and you keep adding to your knowledge.

SN: What is your two-minute advice for an investor who is just starting out?

BM: First is, he should not look at the cost of increasing knowledge. So he should not worry – "This book is worth Rs 2,000. Why should I buy it?"

Secondly, even if he looks at the cost, he should remember that these costs are nothing in comparison to the mistakes he will make in his investing life.

In one book – I don’t remember the name – I read of this term called “jewellery retailing companies”. Immediately my mind went to Titan and Tanishq. That book may be worth Rs 400-500 but that was it!

See, if you are passionate about investing, then look at is as a focus area. Even if you look upon investing as a hobby, a hobby always costs money.

Thirdly, a new investor has got to focus on what he knows. If he has understood a few companies, it’s better to put more money into few rather than put a few into more.

This is because you can’t buy 20 companies as a first time amateur investor and expect to do well.

Now, what he should not do is play book cricket, which is, maintaining dummy portfolios. You won’t get emotional about them, and when you will lose money, you will reset the entire portfolio and start all over again.

So it’s like playing book cricket that we did when we were in school. You just open a page and you hit a six. Next page you hit a four, and so on. This does not work in investing, and is just a waste of time.

Also, if you want to learn, you have to put on the table only that amount of money that will hurt you if you lose.

You can't have a net worth of Rs 5 core and say I will buy 1,000 shares of Unitech and they will go up. Because if they don't go up, you will not learn anything out of it.

To learn, the losses have to really pinch you. If the losses aren't pinching you, you aren't learning.

SN: If you could pick one person other than you, anywhere in the world, to manage your money for the rest of your life, who would that one person be, and why?

BM: There are people who are smarter than me across. But the stock market to me is like my breath. It's like oxygen to me.

So if I give my money to someone else, it will be like I am put on a ventilator.

I actually enjoy investing on my own, but if you were to put me to somebody else and give my money to that guy, it would be Peter Lynch.

This is not because of the returns he made and in what context he made it, but because of the simplicity with which he approached investing.

Of course, now we have become used to seeing market downturns, but there have been times, like in 2004 when BJP wasn't voted back to power and the markets fell. There was so much of chaos. I had limited capital and

lot of leverage. And all I did then was read Lynch's One Up on Wall Street again. I looked for the areas where he was talking about the 1987 crash and things like that. It just gave me so much of confidence.

But then, I am in the market because it's like life and blood for me.

SN: Great, Mr. Maheshwari! That's all from my side. Thank you so much for sharing your thoughts.

BM: It's my pleasure, Vishal. Thank you!

About Safal Niveshak

Safal Niveshak (Hindi phrase for 'successful investor') is a movement to help you, the small investor, become intelligent, independent, and successful in your stock market investing decisions. It's about a new way of thinking about investing that can unleash the smart investor within you, and lead you to prosperity and financial peace of mind.

Who Writes Safal Niveshak?

Safal Niveshak is written by **Vishal Khandelwal**.
You can find me on **Facebook** and **Twitter**.

Vishal has 11+ years experience as a stock market analyst and investor, and 3+ years as an investing coach. Through Safal Niveshak, he tries to help small investors become smart, independent, and successful in their stock market investing.

Safal Niveshak, which started in 2011, is now a community of 12,000+ dedicated readers, and was recently ranked among the best value investing blogs worldwide.

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"…plain speak, no-nonsense view about investing." ~ ***Indranil Maitra***

"Vishal's passion to teach Value Investing is contagious and his informal yet definitive style of teaching is par excellence." ~ ***Gautamjit Singh***

"…selfless service to the small investor." ~ ***Samson Francis***

"I have gone through 100s of sites and 1000s of blogs and finally i have found my home. Thank you for this experience!" ~ ***Harshad Parulekar***

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