# Twitter Thread by Vidya

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**1/20**

**Sharing some takeaways from the book : India's Money Monarchs* , ONLY of the conversation with Sanjoy Bhattacharya.**

*** Available on Kindle Unlimited now.**

**@Vivek_Investor and @dmuthuk**
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2/20
■On How to Minimise Risk ?

* Look at long term volatility of Cash Flows ( assuming Financial Statements paint a fair picture )

* Check if business generates Free Cash Flow ( FCF). This ensures company is unlikely to be wiped out at the bottom of the cycle.

3/20
■Management Integrity matters.

You notice good governance only when it is gone !
Hence unless one has demonstrable proof on a long term basis that people are honest , consider them to be crooks .
Cynical approach but helps save us from losses !

4/20
■ Level of competitive intensity in the business matters. Risk is lower when there are fewer players.

More cut throat the industry , more finesse shall be required and growth shall depend on the ability to adapt and successfully execute.

5/20
■Try to anticipate what can change in a business .

Scanning the historical precedent or envisaging the future helps .

Inherent risks of business matter !

Sometimes these are completely overlooked & can prove to be extremely expensive.

6/20

Growth At A Reasonable Price ( GARP ) approach seems better suited for India.

Try to find growth and make sure you aren't over paying. ( what is reasonable price in relation to how much growth there is )

P.S : Most Indian investors are momentum based as per the book.

7/20

■Survive to Thrive .

If you don't lose all that you've managed to put together , then you live to fight another day.

All sorts of investors can succeed in markets provided, one has clarity in their approach & realises that NO approach works ALL the time.

8/20

■Cap the Risk always & think probabilistically.

Even a 12-15% returns over long term is a good performance.

Don't buy what you don't understand . Keep investing journey simple.

9/20

■On Selling

Selling is much tougher because the human mind is not hardwired to do that.

Out of 100books on investing , 99 are on How & When to BUY .

The rationale of How & When to SELL was found in just one book named : When to sell by Justin Mamis.

10/20

People think success in investing comes ONLY from BUYING businesses smartly.

No.

More than half of successful Investing comes from SELLING smart.

It is the dark continent of investing and touches human psychology , an aspect infrequently talked about.

11/20

To be successful one needs to try and understand the Behavioural Elements of financial markets .

What drives the markets ?
What is the underlying psychology ?

A brilliant book named Judgement Under Uncertainty is recommended to understand more on Behavioural Finance.

12/20

■On Time Horizon for Investments

Getting shorter, although one mustn't write off one's bet quickly.

Continuous monitoring is needed as it gives an early warning & allows you to relate what you see & hear from companies to other opportunities of similar nature.

13/20

The BEST committee in investing is a committee of ONE .

One needs to think for oneself.
Independent minded thinking is vital for success.

One needs to learn from past mistakes ,both self & others'.
We often tend to repeat mistakes as we don't pay attention to history.

14/20

At the end of the day , stock selection is the most trivial part of investment process.

It is defining your investment objectives & creating a structure or asset allocation framework that is efficient is of paramount importance.

Tip : Read Book - Winning The Loser's Game

15/20

1)Figure out YOUR investment objectives

2)How do they fit into the opportunities you have & how you exploit those in terms of committing to them

3)How those opportunities translate into individual investments

16/20

■On Valuations

Personally think it's the most overworked thing & people spend too much time on it.

One primarily needs to relate earning power of a business & it's sustainability to the amount of money one is paying today.

Instead folks tinker in excel sheet !
■

What drives valuation is the understanding of the business. If you don't understand the business, if you don't have enough depth out there, then no valuation tools are going to work. You can tinker and toil with these at the margin and get completely differing results. You change your terminal period, you change your growth rate, you change x, you change y, but scrutinize the assumptions you are putting into it. At the end of the day, if you can figure out that this business broadly is going to have unpredictable cash flows or predictable cash flows, and the growth of this business is going to be affected by a, b, c. What can affect a, b and c? How much capital does this business require? Is the capital requirement for this business more in the area of working capital, more in the area of fixed capital? Is it stable? Is it on a recurring basis or is it lumpy?

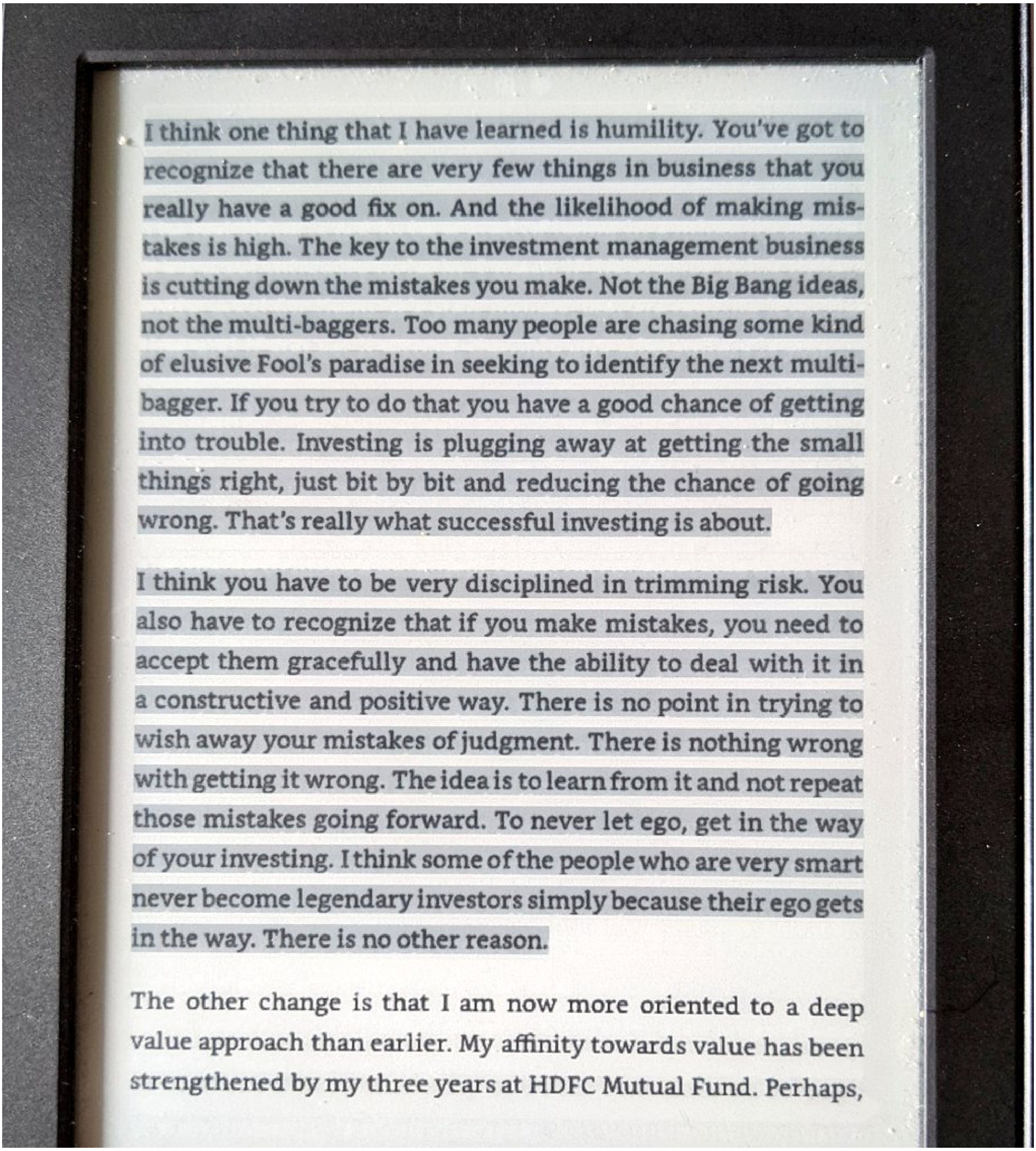
An investor should just get the basics right. If a guy doesn't know how DCF works, I think he has an advantage. The advantage is that he cannot play games with himself. If you know DCF you can always persuade yourself that a price makes sense. The last boundary, the last level of deceit in life is deluding yourself. Then you have no further boundary to cross. Once you have conned your own mind, that's the last bastion. It's actually an advantage to be unsophisticated in terms of how you use valuation.

17/20

Investing is mostly about character.
Whatever you do Stick to it ! Don't much around trying a lil' bit of everything !!!

The key to good investing is cutting down the mistakes you make.

Recognise risk - Accept mistake - Trim with discipline.
Everyone makes mistakes !



I think one thing that I have learned is humility. You've got to recognize that there are very few things in business that you really have a good fix on. And the likelihood of making mistakes is high. The key to the investment management business is cutting down the mistakes you make. Not the Big Bang ideas, not the multi-baggers. Too many people are chasing some kind of elusive Fool's paradise in seeking to identify the next multi-bagger. If you try to do that you have a good chance of getting into trouble. Investing is plugging away at getting the small things right, just bit by bit and reducing the chance of going wrong. That's really what successful investing is about.

I think you have to be very disciplined in trimming risk. You also have to recognize that if you make mistakes, you need to accept them gracefully and have the ability to deal with it in a constructive and positive way. There is no point in trying to wish away your mistakes of judgment. There is nothing wrong with getting it wrong. The idea is to learn from it and not repeat those mistakes going forward. To never let ego, get in the way of your investing. I think some of the people who are very smart never become legendary investors simply because their ego gets in the way. There is no other reason.

The other change is that I am now more oriented to a deep value approach than earlier. My affinity towards value has been strengthened by my three years at HDFC Mutual Fund. Perhaps,

18/20

What to do ?

* Arrive at a well articulated set of investment objectives

* Have an understanding of the different opportunities available from various investment instruments

* Have a sense of purpose. Choose a method to implement this purpose

* Stick to it ALWAYS.

19/20

It shall get difficult with each passing on year to beat markets by a wide margin .

Everyone seems to be using the same tools ,looking at facts the same way.

"There is no single way to skin the cat.Different strokes for different folks - That's the beauty of markets."

20/20

One can read Sanjoy sir's articles on the website of @FLAMEUniversity ( a brilliant content repository of the thoughts of some great minds of the investing community )

Go to
https://t.co/Ranqe1IvgP
Then go to Home ->Academics -> FIL -> Resources.

* THE END *