

FAQs

After going through the investor presentation, you may have some questions. The following are questions which I would ask if our roles were reversed.

In case of any other query, please write to contact@calculatedwagers.com

Ques: Do you practice investing full time?

Ans: Yes

Ques: Do you intend to continue doing it for a long time?

Ans: Yes

Ques: Do you specialize in stocks having specific market caps –small caps, mid caps etc.?

Ans: I invest in businesses which are fundamentally strong and have some unique differentiators. Any company which has a rock-solid business, has an ethical management and is available at a margin of safety works for me. The cap doesn't matter-it can wear any.

Ques: What is the holding period you have in mind about your investments?

Ans: As long as the business continues to create value and the price is not very high compared to the intrinsic value, I would like to stay invested. Usually that period can be around 5-7 years. It can be less or more depending on the value creation process and the price.

Ques: Can you share any idea which resulted in permanent loss of capital? If yes, do you mind sharing why it happened and what did you learn from it?

Ans: Sure.

One position which led to permanent loss of capital was Madras Fertilizers. This happened around 2011-12. At that time, I was not completely focused on good quality businesses. I used to look at turnarounds, special situations and all other stuff where I perceived value. Madras Fertilizers was going through a debt restructuring process. I was quite optimistic that the business will soon turn around and value would emerge. I did not pay enough attention to the quality of business.

With time, the debt restructuring process got stretched, business continued to haemorrhage and the price corrected by about 50% from my purchase price. Around the same time, I read about the business of Cera Sanitaryware Limited

and concluded that it's a good quality business. Even though the price of Cera's stock had appreciated by 100% from the time I first started reading about the company, buying the stock of Cera seemed an easy decision.

I switched all of Madras Fertilizers' position to Cera. Since then, Madras Fertilizers stock continues to trade at the same price (no change in 5 years) while Cera's stock has appreciated by 6 times.

I learnt 2 things from this:

(1) Focus

I can't be good at a lot of things. I need to be completely focused on one area to become good at it. I was not getting good at anything by trying to do everything. So, I thought hard about it and decided to focus only on good quality businesses.

(2) Detachment

In order to make prudent decisions, my mind should be detached from actions that I took in the past and should focus on the present. That gave me the courage to let go of Madras Fertilizers and buy Cera Sanitaryware even though Madras Fertilizers was down 50% from my purchase price and Cera had gone up 100% from the time I started working on the company.

Sir John Maynard Keynes would have been pleased if he read this because I changed my mind when the facts changed.

Keynes - "When the facts change, I change my mind. What do you do, Sir?"

Ques: What is the role of clients in the investment process?

Ans: Of the 4 things in investing – Capital, Trust, Patience and Ideas - first 3 are provided by the clients. The job of an investment advisor is to identify prudent ideas. So, in my view, clients have a much larger role to play in the investment process.

Ques: Do you invest in geographies-other than India?

Ans: No. They lie outside my circle of competence.

Ques: Do you avoid certain businesses?

Ans: Yes, I avoid businesses which are susceptible to sudden and quick changes. I also avoid businesses which have too much of regulation on raw material / prices etc.

I also avoid businesses where there is too much hope and little track record. I look for businesses which have a demonstrated track record of earnings.

Ques: Do you invest in IPOs (Initial Public Offerings)?

Ans: I am open to investing in IPOs. The principles remain the same: (1) Business within my circle of competence (2) Competent and ethical management (3) Margin of safety between intrinsic value and price

If a business offered in an IPO satisfies this criterion, I will surely invest in it.

Ques: How often do you churn your portfolio?

Ans: Difficult to put any time frame, but subjectively the churn in the portfolio is quite less.

Ques: When do you sell a position?

Ans: 4 scenarios (in that order):

(1) If I realize I have made a mistake

(2) If the business weakens

(3) If I find a relatively much better opportunity

(4) If the valuations go out of the park

Ques: What is the minimum corpus required for your services?

Ans: INR 5 million (50 lakh)

Ques: How often do you communicate with the clients?

Ans: I provide a note on the idea when I initiate it. Thereafter, I provide an annual update on each idea. Sometimes, I write notes on specific events.

Ques: Are the ideas confidential?

Ans: Yes, please.

Ques: What are the documents required to sign up?

Ans: As per SEBI Investment Advisor Guidelines, the required documents are:

(1) KYC [Know Your Customer] documents

(2) Risk Assessment Questionnaire

(3) Client agreement

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