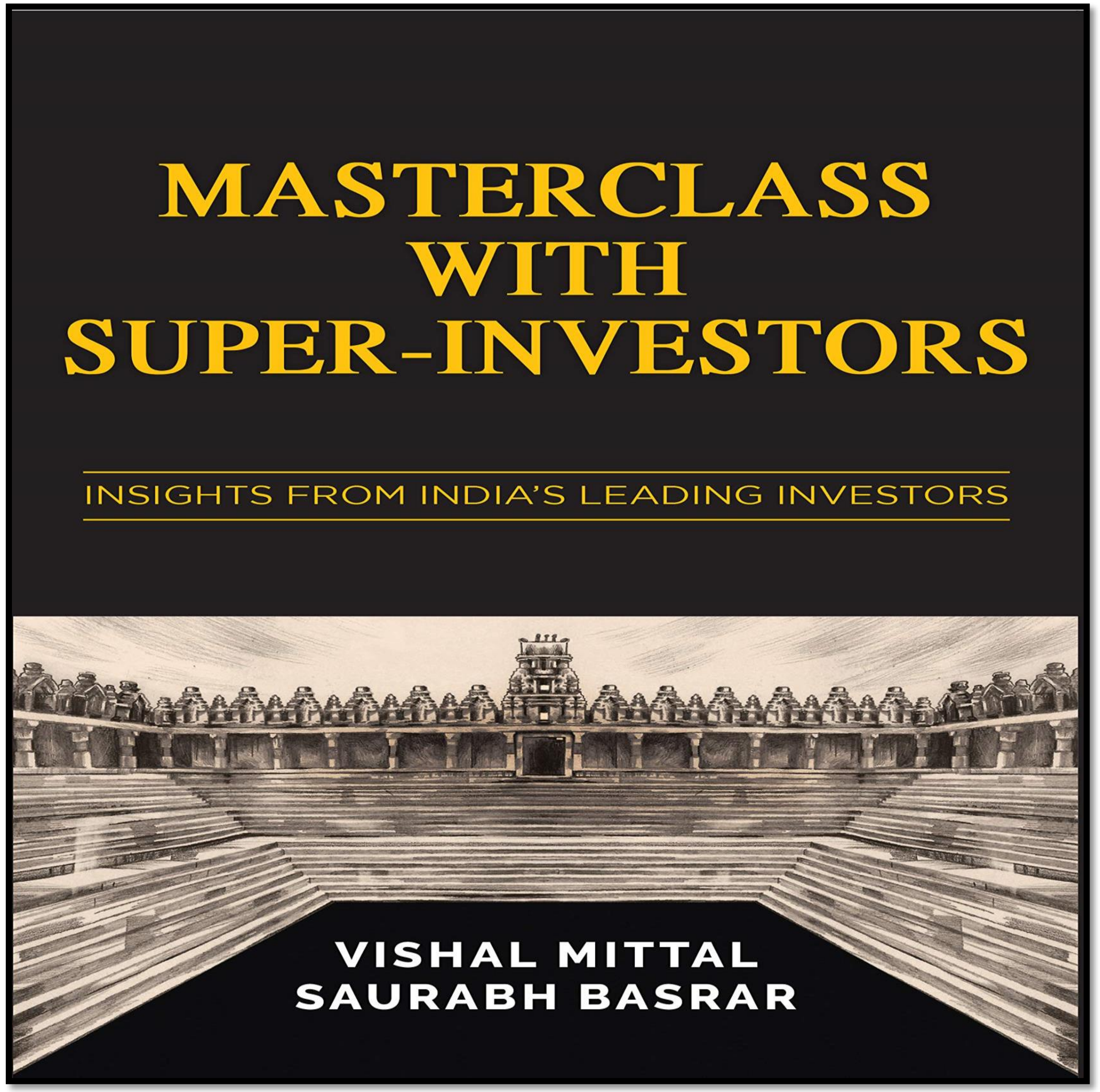
Analyse India – The Weekend MBA – Masterclass With Superinvestors



Lessons and Excerpts

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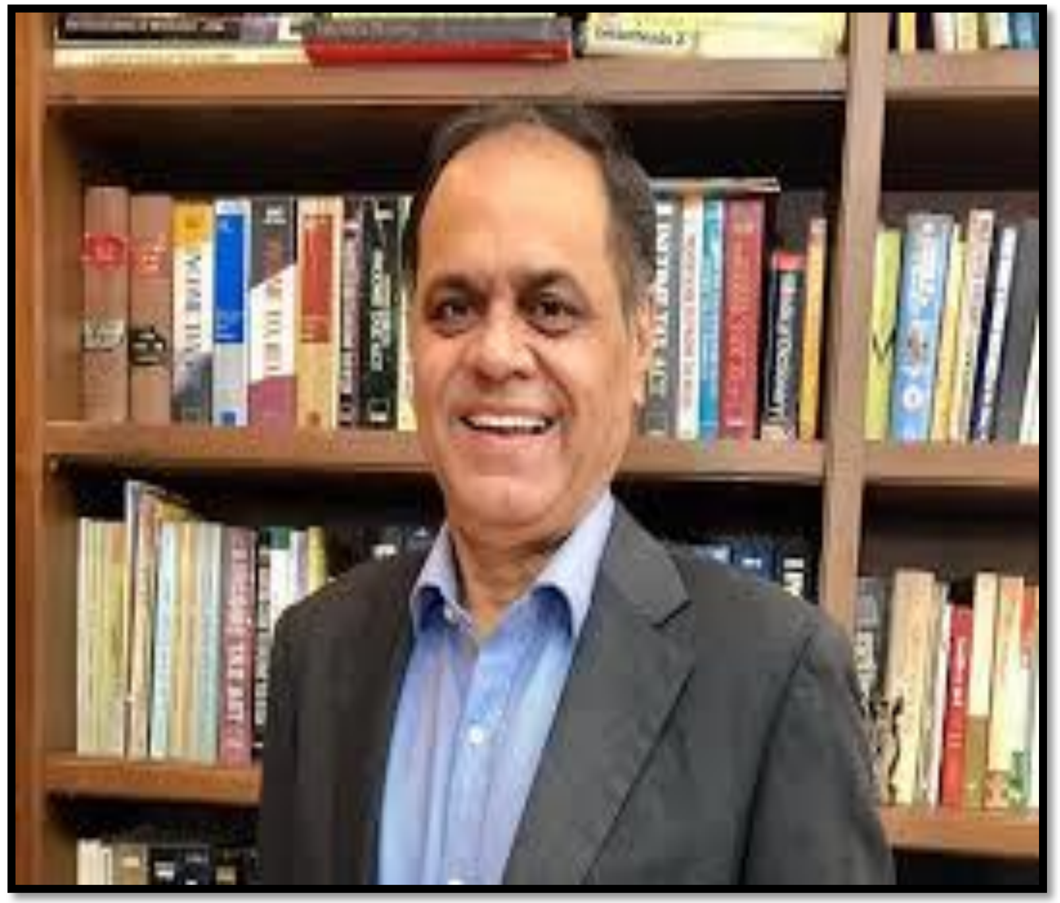
Interview with Mr. Ramesh Damani

- "When you have a great idea, you need to back up the truck and buy."
- "As a stock goes up from Rs. 40 to Rs. 800, a smart investor may keep adding at various points, while an average investor may not."
- "Temperament wise, the key learning has been doing your own homework and having the integrity of independent thought."
- "The trick is to calculate everything in US Dollars and compare it across. I know what a cup of coffee and a good meal costs in Mumbai or Manhattan. So, you know when it's (referring to a company) is really cheap."



Ramesh Damani

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Interview with Mr. Raamdeo Agrawal

- "Investing is about envisioning it first. How do you do that? We all have two eyes and a brain. The difference is, how we look at a particular situation using the frameworks we have. So you try to put the various factors together. There will be value migration from motorcycle to scooter given the mileage difference (30 km/litre vs 65km/litre) and the excitement of riding a motorcycle (explaining his investment thesis for Hero Honda). Next framework was the dominant position in an oligopolistic market. So it was love at first sight - terrific business, terrific management, long term story and a reasonable valuation."

- "Mother of all value is compounding. The power of compounding is 60-70% of investing. Markets just do not understand compounding. People just don't see the growth logic beyond one or two years. And if growth doesn't come in India, where will it come?"

Raamdeo Agrawal

Interview with Mr. Anil Goel

- "Self-learning by experiencing and observing things is the best way to learn, as it stays with you. Many a times, one doesn't knowledge gathered from just reading books and it fades away."

- "Since I have a business background, I have an edge in understanding business. That advantage is permanent. We study the business so deeply that our vision becomes better than the promoters, from a stock market perspective. One should spend more time understanding business well."

- "One of my big bets in 2002 was SAIL. In any business, no one can sustain producing below the cost of production for long, so normally it marks the bottom of the cycle. SAIL had a large capacity, so I invested in it at Rs. 8.50/share. Then I could see the steel boom was coming, mainly because of China (which tripled capacity). I eventually sold the SAIL stock at above Rs. 250."

Anil Goel

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Interview with Mr. Hiren Ved

- "People talk about P/Es, but you have to understand where you are in the profit cycle. Risks to the markets are the highest after you have gone through an earnings up-cycle, because people tend to project the growth into the future. In the period of 2004-07, the earnings grew at a tearing pace – around 28% CAGR. On top of that, a higher P/E was assigned. So people were giving a higher P/E on a rising curve, and then if something happens to the earnings – it is a disaster."

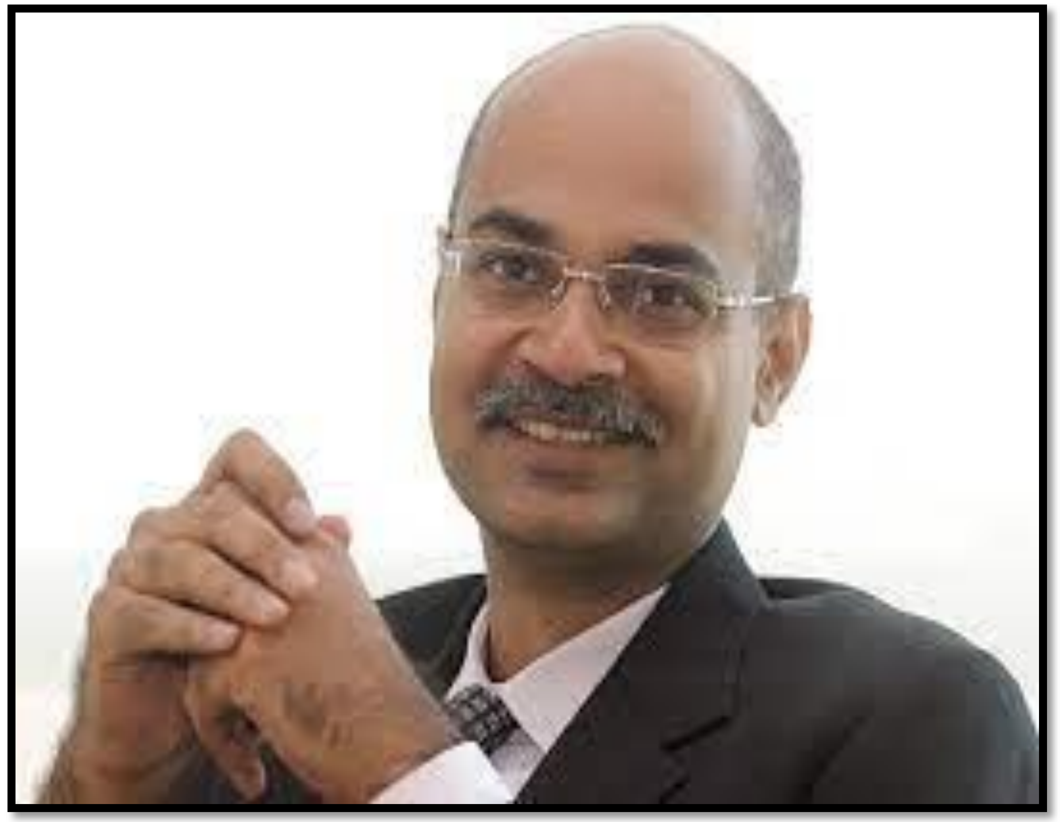
- "The interplay of EPS and P/E is beautiful. Most people tend to just look at the earnings. But P/E is the leading indicator and not the EPS, which is the lagging indicator "I think where people get blindsided is that they look at earnings and earnings have no meaning at turning points – either from top to down or the other way round. Earnings have a meaning in the middle part of the cycle, when the trend has already established itself."

Hiren Ved

Interview with Mr. Kenneth Andrade

- "Capital efficiency has two parameters – profit is the numerator and capital employed is the denominator. The former is the function of the industry environment, while the latter is a function of the management. When an industry is going through a cyclical downturn, the best management also cannot do much about profits, because the profitability in the industry is shrinking, so the only lever they have is the denominator, which is capital. So, if you want to put a number to judge management efficiency, you only have the denominator, which is capital employed."

- "We aim to buy the dominant and most capital efficient business at the bottom of the cycle. I wouldn't know, at the company level in the portfolio, which will perform the best, but the framework will remain the same. If all the components of the framework has the same characteristic, some part of the portfolio will break out. At the end, the returns will be generated by the industry getting back into growth."



Kenneth Andrade

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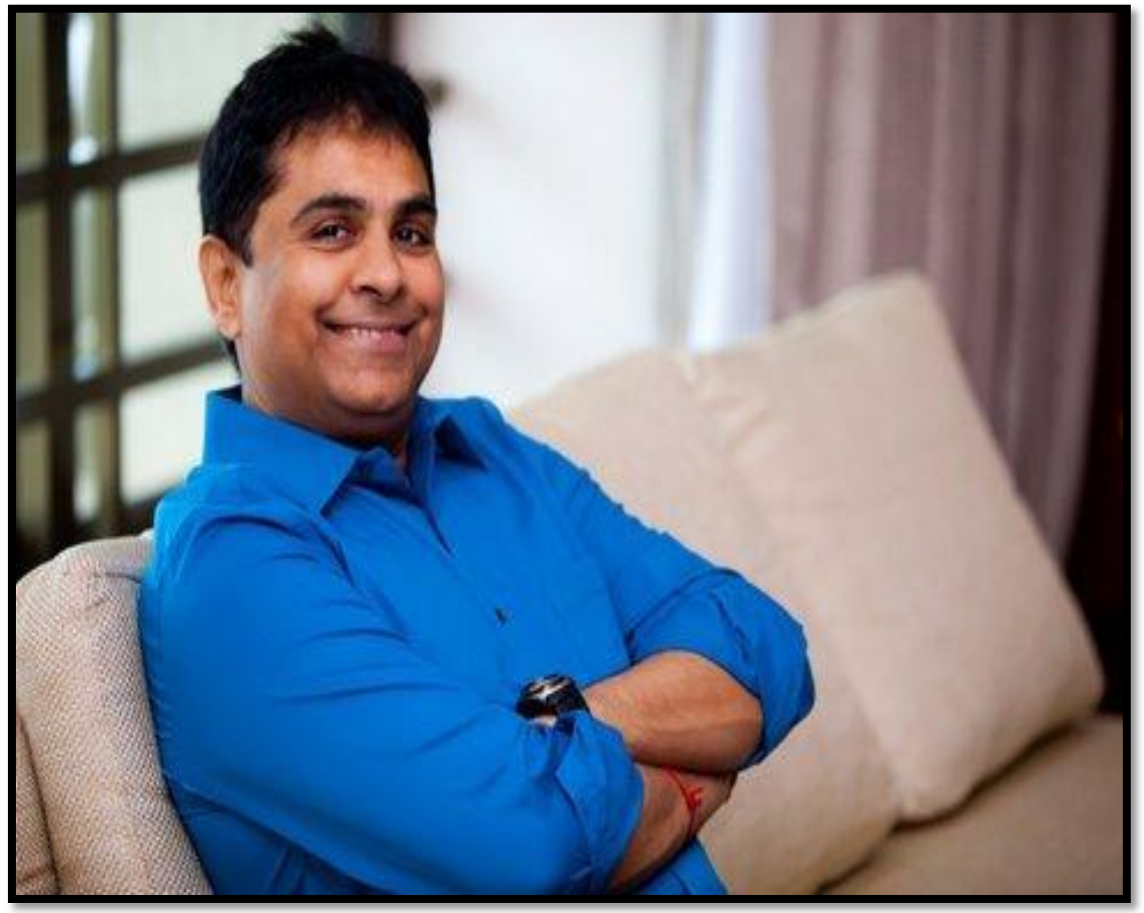
Interview with Mr. Vijay Kedia

- "One should read everything. I should read all business news and only business news. One should have the passion to be aware of new developments. Only then, one is able to connect the dots. What is happening around the world in a broad manner? Those developments will ultimately happen in India. Also, the size of the market has to be big. One should identify a fish in the ocean and not a crocodile in a pond."

- "There is value in experience, value in seeing failure. Also, a person who has not seen the bear market is not a seasoned investor in my view. The key to success is how many stocks you have seen failing and how many bear markets you have seen. History tells us that people have made big money by buying stocks in bear markets. Nobody makes big money by investing in bull markets."



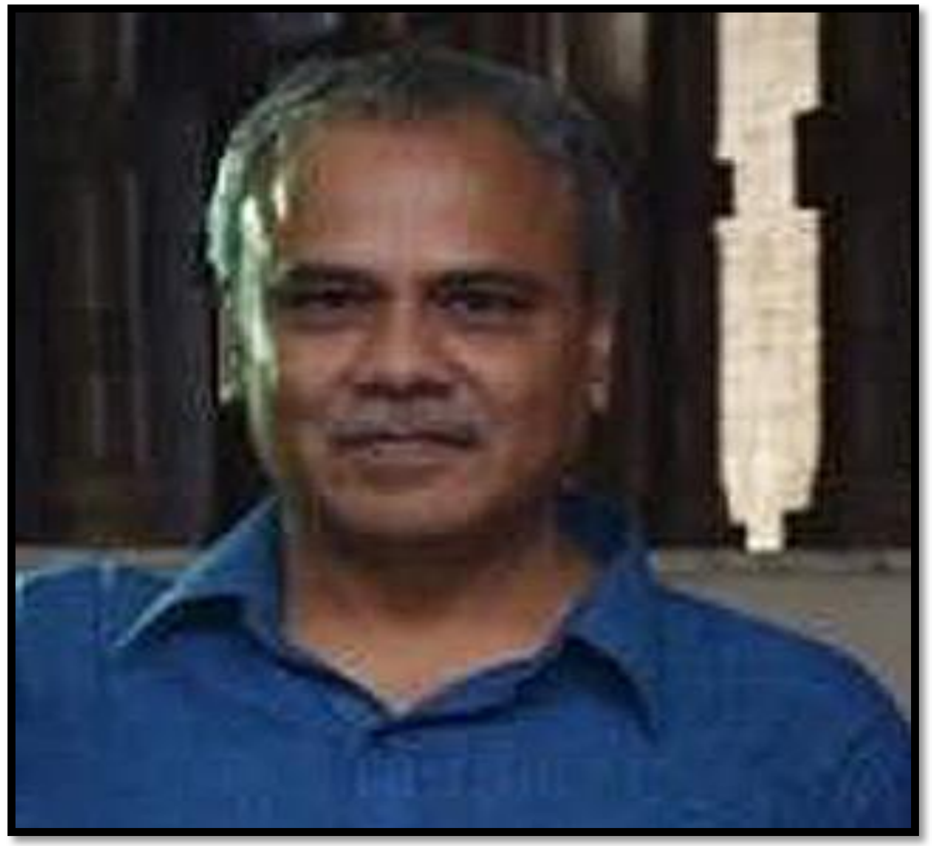
Vijay Kedia

Interview with Mr. Rajashekar Iyer

- "The most important aspect in finding good ideas is to eliminate bad fairly quickly"

- “There are only three variables to determine the value of a business – how much they grow their sales, how much profits they can make, and what kind of capital they need to generate those sales. Of course, the additional variable is how they treat the minority shareholders.”

- “Today, when I look at expensive stocks, I try to see how many years ahead I have to project to see sustainable minimum earnings. If I have to project beyond three years, then I am not comfortable investing in that stock. We all can do these back-of-the-envelope calculations to see that we don’t go majorly wrong on a stock.”



Rajashekar Iyer

Interview with Mr. Govind Parikh

- "Good management in a bad industry will not do very well. With bad management in a good industry, even if they do well, the shareholders will not get anything. So both are important, but good management is more important"

- "Humility is the most important attribute one should have. The market on the whole is bigger than any individual investor, so one has to be humble. Discipline and patience are also very important attributes. To be open minded and quickly correct mistakes is very important to be a good investor."

Govind Parikh

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Interview with Mr. Shyam Sekhar

- "The growth that you see in the P&L comes out of how the balance sheet is structured. The balance sheet allows the P&L to grow."

- "Grahamian investing was taking only one factor from the balance sheet. However, Fisher's style of investing, you are seeing growth from a balance sheet perspective. That is the crux."

- "If you focus on P&L instead of balance sheet, you will always need to pay a premium. By the time it gets reflected in P&L, valuations would have already gone up. But in balance sheet investing, you have to live through the waiting period."

Shyam Sekhar

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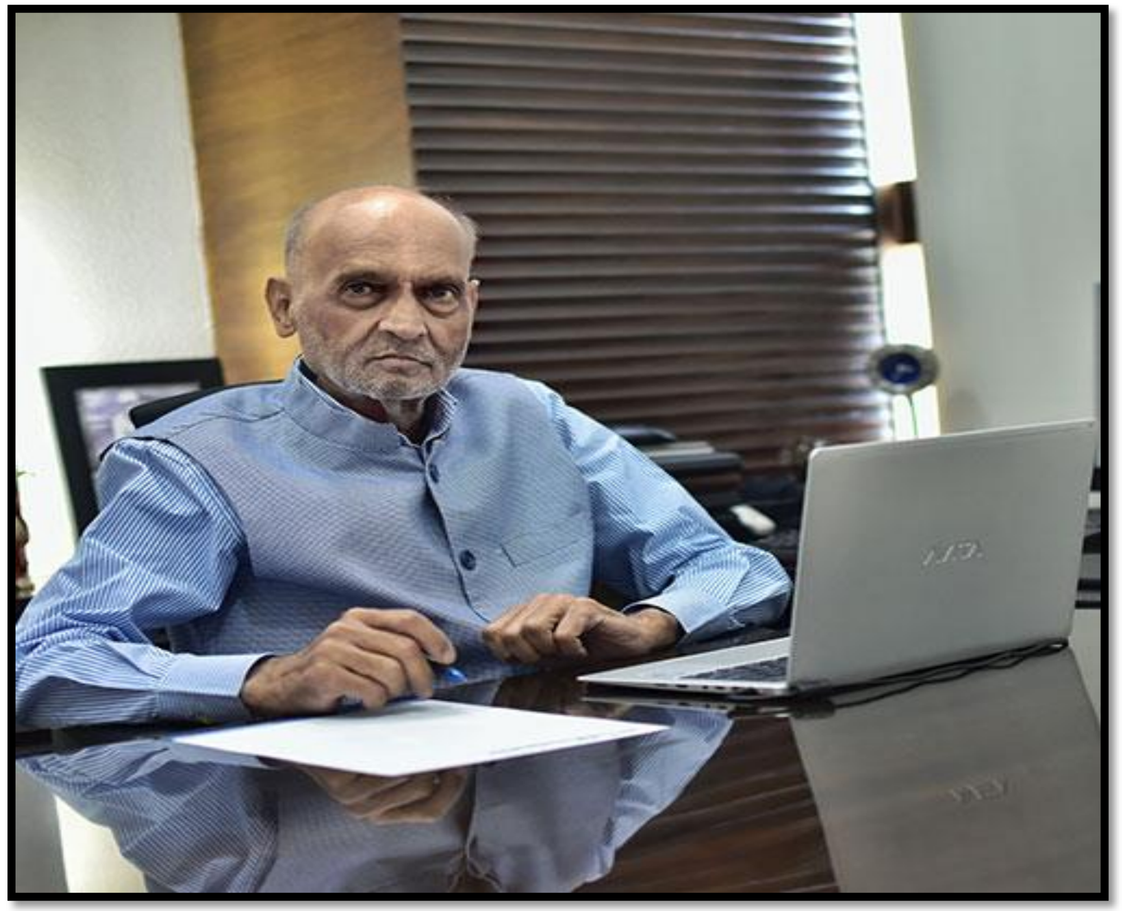
Interview with Mr. Bharat Jayantilal Patel

- "After some level of success, you start feeling like God. The atmosphere around you starts making you feel like that. I don't think Harshad Mehta or Ketan Parikh were bad people per se, or they had pre-planned the scams. At that level of success – the people surrounding you start behaving as if you are God and that impacts your own thoughts. You start taking money in a casual manner."

- "You have to understand the business in which you invest reasonably well. Many people claim to understand the business totally, but I don't think it is possible. Secondly, you should have the conviction. That's how you can kill time after investing. Conviction is very important."



Bharat Jayantilal Patel

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Interview with Mr. Chaitanya Dalmia

- "It's best to keep it simple. Thorough homework to generate an idea. Wait patiently to get it at the right price. Have the temperament to see the idea losing 20-30% on paper. Re-evaluate your thesis all the time and "invert", as Charlie (Munger) says. Remain convinced or cut your losses if you think you made a mistake and move on. Discipling yourself to keep your head when the markets are going berserk is another important attribute. Finally, do not let the feeling of being left out get the better of you, because you will always miss a lot of ideas."

Chaitanya Dalmia

Thank You for Watching

Nooresh Merani
9819225396
nooreshtech@analyseindia.com

www.nooreshtech.co.in
www.analyseindia.com