

What heads of business say about this book

"It is really very interesting and informative book for reading"

-Brijmohan Lall Munjal - Chairman & Whole-time Director- Hero Moto Corp Ltd.

"Its pointed and thought-provoking contents - not to speak of its attractive presentation - make it a handy reference for keeping in touch with reality"

-Bhaskar Ghosh, Ex. MD, IndusInd Bank Ltd.

" I have already glanced through them and find them excellent"

-Rahul Bajaj, Chairman, Bajaj Auto Ltd.

This handy book contains quotations, which have been compiled over the years from various books and market gurus.

This collection of quotes, simple one liners on investing, have a deep and profound meaning that will not only serve as a guide but also impact any trader or investor.

To sum it up, the book contains a mix of insightful yet humorous and entertaining quotes supported by caricatures to make it a good read.

Illustrations by Mr. Homi Bamboat

Wealth Creation Thoughts

Wealth Creation ≈ Thoughts ≈



Raamdeo Agrawal

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ABOUT THE AUTHOR



Raamdeo Agrawal is the man behind the strong research capabilities at Motilal Oswal Financial Services Ltd.

He is an Associate of the Institute of Chartered Accountants of India and a member of the National Committee on Capital Markets of the Confederation of Indian Industry.

Agrawal specializes in equity research. He has been authoring the Annual Motilal Oswal Wealth Creation Study since its inception in 1996. In 1986, he wrote the book 'Corporate Numbers Game', along with co-author, Ram K Piparia. He has also featured on 'Wizards of Dalal Street' on CNBC TV 18.

Agrawal received the "Rashtriya Samman Patra" awarded by the Government of India for being among the highest income tax payers in India for five years from FY95–FY99.

Happy
investing

PREFACE

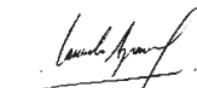
In 1998 we wanted to promote the Motilal Oswal brand through a small ad on the front page of The Economic Times. We didn't know what would make people look at that tiny ad. So, we came up with an idea of publishing Wealth Creation Thoughts. It turned out to be a good idea. And a lot of people started collecting them.

I've always been fascinated by the insights of Warren Buffett on investing. They are relevant for all markets and very unique. The Directors Report of Berkshire Hathaway, books written on him, his speeches and write-ups in magazines are a rich source of quotes. Whenever I used to read these articles on investing, I started collecting them as Wealth Creation Thoughts. Over the years, insights from other legends like Benjamin Graham, Charlie Munger, Phil Fisher and Peter Lynch were also captured.

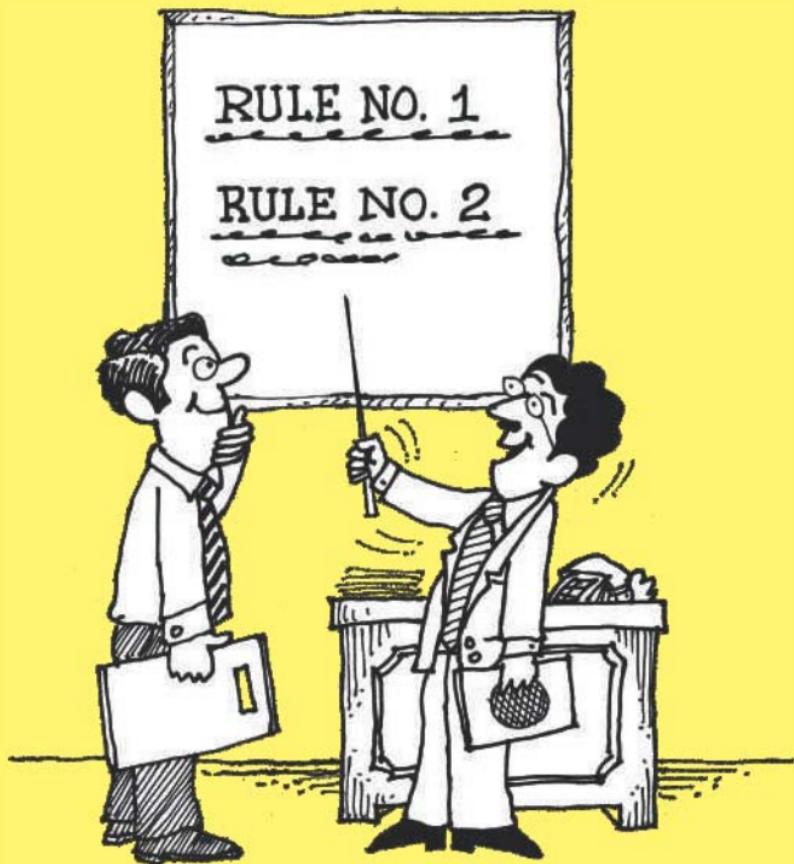
The thoughts in quotes are insightful and very practical. It helps in shaping thinking on many critical aspects of investing, running businesses, choosing people and taking a stand in the market place.

These quotes are timeless principles of investing. They are pearls of wisdom, insightful as ever. Even today I carry a copy of this book with me and love opening it anywhere to get tickled by a few thoughts in a minute.

I hope you too enjoy every pearl of wisdom.



Happy investing!!!



Rule no.1: Never lose money
Rule no.2: Never forget Rule no.1

The stock market is filled with people who know the price of everything but the value of nothing



Investors focus on business performance;
speculators focus on price performance



Intelligent investing is value investing;
to acquire more than what you are paying for



Under stress it is always penny-wise,
dollar foolish



Using a stock's volatility as a measure
of risk is nuts. Risk to us is

- 1) the risk of permanent loss of capital,
or 2) the risk of inadequate returns

- Charlie Munger

" I SOLD ALL MY INFO STOCK
AT HALF PRICE. "



When you sell in desperation,
you always sell cheap

There is in the worst of fortunes the
best of chances for a happy change



It is better to have a hen tomorrow
than an egg today



In the stock market,
luck never gives, it only lends



Stressed people struggle
to think about the long term



The enemy of investment is activity



Timing is vital.
It is much more important to
buy cheap than to sell dear

The definition of a great company is one
that will remain great for many many years



Focus on returns on equity,
not earnings per share



An investor needs to do very few things right,
as long as he or she avoids big mistakes



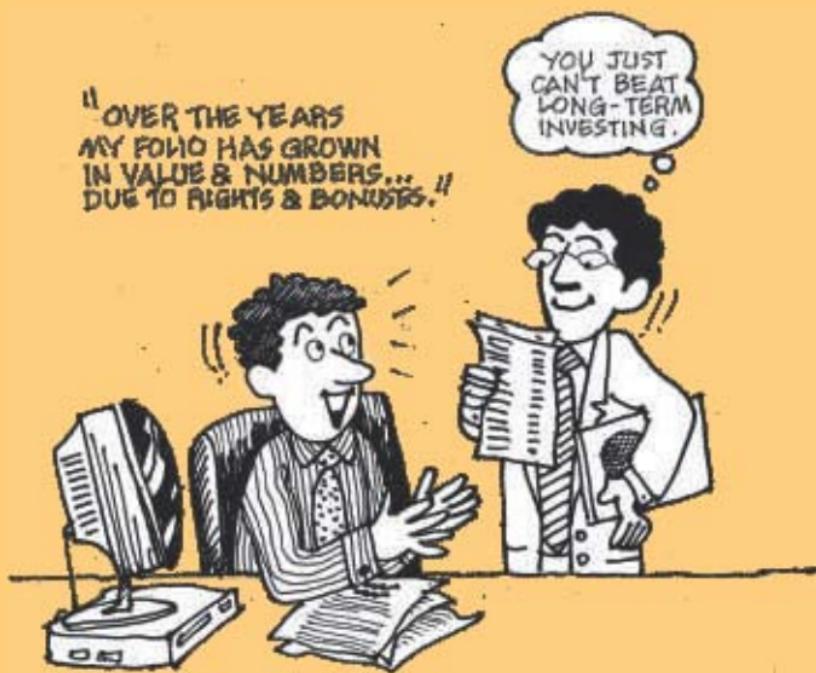
The most expensive lessons in investing
are typically a result of making too many
investments, not too few



If you understand business,
do not hesitate to buy into controversy

"OVER THE YEARS
MY FOLIO HAS GROWN
IN VALUE & NUMBERS...
DUE TO RIGHTS & BONUSES."

YOU JUST
CAN'T BEAT
LONG-TERM
INVESTING.



It is never your thinking
that makes big money, it is sitting

The market demands conviction as surely as it victimises the unconvinced



The wise man sees in the misfortune of others, what he should avoid



Success in the market usually comes to those who are too busy to be looking for it



It's a good habit to trumpet your failures and be quiet about your successes



True value investing often requires that you look stupid in the short run



The market may ignore business success for a while, but eventually it will confirm it

It is better to be approximately right than precisely wrong



Fear is the foe of the faddist but the friend of the fundamentalist



Rational people acting independently can produce irrational market results



An intelligent investor seeks to avoid all losses and does not differentiate between a "small" and a "big" loss



We don't believe that markets are totally efficient and we don't believe that widespread diversification will yield a good result.

We believe almost all good investments will involve relatively low diversification

- Charlie Munger

"I HAVE A SURE TIP...
HARSHAN CHEMICALS WILL
DOUBLE IN A MONTH. BUY
A FEW THOUSAND."

"NO THANK YOU.
I HAVE NO
INFORMATION
ABOUT THIS
COMPANY."



Money is made more due to
understanding rather
than information

Business growth, per se, tells
little about value



The secret of sound investing is
Margin of Safety



In the stock market, money is moved
from active to patient investors



Value Investors focus on
capital preservation first and
capital appreciation second



I think that, every time you see the word
EBITDA [earnings], you should substitute it with
the word “bullshit” [earnings]

- Charlie Munger



Investing must be rational.
If you can't understand it,
don't do it

Business leadership alone provides no certainties in investing



Focus on the business rather than the business channel



Valuing a business is part art and part science



Timing the market is a fool's errand while pricing stocks is an investor's goal



If you know the odds of winning are 100%, bet your entire bankroll

"TO HELL WITH
FUNDAMENTALS. I'M
GETTING OUT LIKE
EVERYONE ELSE."

"PATIENCE HAS ITS
OWN REWARDS.
STAY INVESTED."



In reality,
patience is crucial, but is a
very rare investment commodity

**Intelligent appraisal depends on your ability
to understand a business**



**Poor business economics can rarely be
cured, even by exceptional managements**



**The ability to raise prices without hurting
sales is called economic goodwill**



**Value often is found in the most
unloved industries**



**Understanding both the power of
compound returns and the difficulty
of getting it is the heart and soul
of understanding a lot of things**



Behave according to
what is rational,
rather than what is fashionable

It's not at all risky to buy securities
at a fraction of what they are worth



Risk comes from not knowing
what you are doing



The best stock to buy maybe the
one you already own



To the crowd, patience is madness;
to the Value Investor, patience is wisdom



We've really made the big money
out of high quality businesses
- Charlie Munger



People tend to over react
to bad news and
react slowly to good news

Advice doesn't have to be
complicated to be good



Investment managers are not beating
the market, the market is beating them



Winners should avoid speculation
while striving to win big



Value Investing is an investment
framework that focuses on the process,
not the outcome



The market is like a beautiful woman -
endlessly fascinating, endlessly complex;
always changing, always mystifying



Stocks are slaves of earning power

**Every business design has a limited
value creation life cycle**



**A technology can create and capture value,
only as long as it remains scarce**



**Technology alone, without a good business
design, cannot generate sustained
value growth**



**The period of maximum pessimism is the best
time to buy, and the time of maximum
optimism is the best time to sell**



**Bull markets go to people's heads. If you're a
duck in a pond, and it's rising due to a
downpour, you start going up in the world.
But you think it's you, not the pond**



The probability of outsized returns goes up, as the size of the portfolio goes down

When you combine ignorance and borrowed
money, the consequences
can be disastrous



Concentrate investments in a few
great stocks and have the fortitude to
hold through price fluctuations



Nobody gets market timing right
even half the time



EVA is a lagging indicator of
value not a leading one



Do what you love, money will follow



Be greedy when others are fearful,
be fearful when others are greedy

**Great (Idea+Manager+Price)=
Great investment results**



**A small chance of distress cannot
be offset by large extra returns**



Never leverage your focused portfolio



**What the market hates,
Value Investors often love**



Sell the Losers and let the Winners run

" I WOULD LIKE TO PLACE
A BUY ORDER PLEASE . "



Research before you invest,
not after

Buy a business, don't rent stocks



The value of analysis diminishes,
as the element of chance increases



Look at market fluctuations as your
friend rather than your enemy



If a business does well, the stock eventually
does follow. Buy a business not a stock



Disciplined investors should be
able to see hidden beauty



The time to get interested
in a stock is when no one else is

When the gap between perception & reality
is the maximum, the price is the best



The market, like the Lord, helps
those who help themselves



I'd be a bum on the street with a tin cup,
if the markets were always efficient
- Warren Buffett



It is easier to come up with new ideas
than it is to let go of old ones



Equity investing is dreaming as
much as number crunching

"BUY! BUY! BUY!"



The time to buy is when the
gloom is deepest

Eventually, our economic fate will
be determined by the economic
fate of businesses



Buy stocks when the Bears are
throwing them away



Investing probably is not played
best as a group sport



Don't fall in love with your stocks;
they can't love you back



Don't bother about the markets,
figure out a business that you can
understand and concentrate on it



Focus on what business will do in the years ahead, instead of what money managers will do in the days ahead

Before even thinking stocks, study how
money was made in the past



Invest in companies where the odds are great,
so that you won't be disappointed



In investing, never confuse a hunch
with a hope



People who have knowledge don't predict.
Those who predict don't have knowledge



We read and think. Warren and I do more reading
and thinking and less doing than most people
in business. That is very uncommon
- Charlie Munger



Look for companies about
to become the biggest fish
in biggest pond

Nobody has ever bet enough
on the winning horse



Over time, a portfolio of well-chosen
stocks will always outperform bonds



An investor's worst enemy is not the stock
market, but his own emotions



Buy right and hold tight



If you took our top fifteen decisions out, we'd
have a pretty average record. It wasn't hyperactivity,
but a hell of a lot of patience. You stuck to
your principles and when opportunities came
along, you pounced on them with vigor

- Charlie Munger

"I BOUGHT DR. EDDYS, WHEN
THERE WERE NO TAKERS...
AND LOOK! NOW EVERYONE IS
PILING ON."

"HATS OFF TO YOU!
YOU'RE AHEAD OF
THE CROWD."



What the wise men do in the beginning, fools do in the end

The more successful a company becomes,
the more difficult is the task of
maintaining its momentum



There is no formula to figure out the intrinsic value of a stock, you have to know the business



A stock doesn't know
you own it



When it comes to investing, there are no short cuts. The trick lies in diversifying your investments, investing systematically; and over a period of time



There are no new eras –
excesses are never permanent

"I DON'T KNOW WHAT THE
COMPANY DOES, BUT
EVERYONE IS BUYING
APL INFOTECH...
SO HAVE I."



A stock will move above or below its business value depending more on emotions than economics

**Short term thinking is the enemy
of long term investment success**



**Making money on free advice, is like
winning a lottery without buying a ticket**



**Wide swings in earnings hurt both credit
ratings and P/E ratios, even in good businesses**



**Most people spend most of
their time and effort earning money and hardly
any time managing and growing it**



Time the market at your own peril



Never buy a stock because
it has a low price

When the degree of consensus was the greatest, the extent of error was the most pronounced



One of the hardest things to imagine is that you are not smarter than average



Forecasting is far more an art than a science, and like other creative fields, has few masters



While caution is a virtue, being overcautious often results in lost opportunities



In investing, what really counts is what's knowable and important



The investor of today does not profit from yesterday's growth

**Forecasts usually tell us more about
forecasters than the future**



**Price is what you pay,
value is what you get**



**Don't expect the strategy you adopt to prove
to be a quick success in the market place**



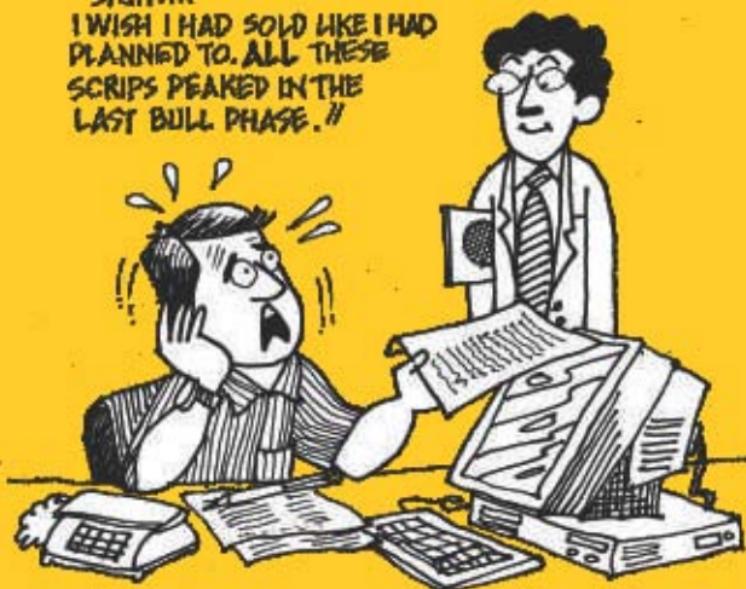
**Anytime is a good time to invest, so long
as you are able to find a stock that you believe
is undervalued and have the patience to sit tight**



**Trying to time the market is a fool's game and
should be avoided at all costs**

"SIGH!..."

I WISH I HAD SOLD LIKE I HAD
PLANNED TO. ALL THESE
SCRIPTS PEAKED IN THE
LAST BULL PHASE."



Plan your play
and play your plan.
Don't delay

Predicting the future is far trickier
than most people imagine



Doing your homework is infinitely
more rewarding than trying to be
on top of the market



Great stocks are extremely hard to find;
If they weren't, everyone would have them



One must accept what the market has
to offer. You cannot make the market
do what you want it to do



Today's opinion will make today's prices;
tomorrow's opinion tomorrow's prices

"WHY SHOULD I FOLLOW THEM?
I KNOW MY COMPANIES ARE
DOING WELL."



If you can't understand and value
your business better than the market
you don't belong to the game

If you have to go through too much of investigation, something is wrong



The market will pay you better to entertain, than to educate



Never ask the barber if you need a haircut

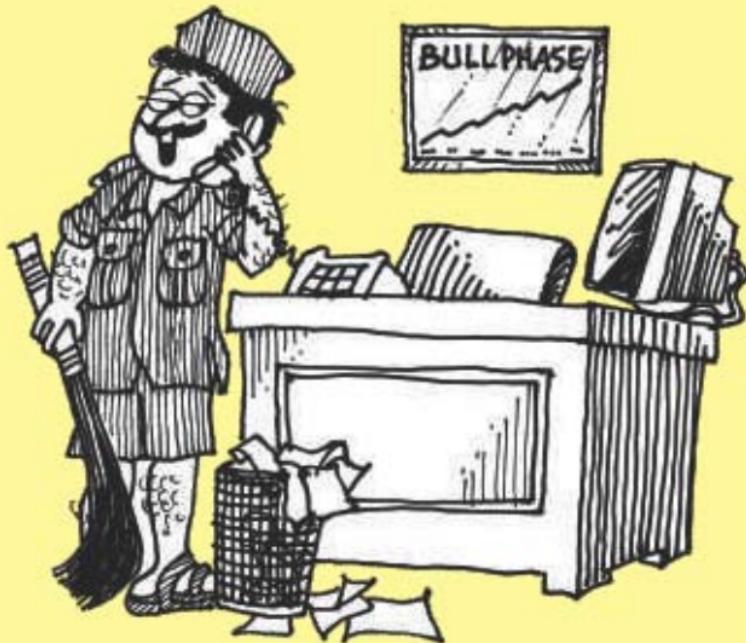


Anger and disappointment are two additional emotions that powerfully influence investing decisions



Negative surprises increase the confusion between price and value

"JUST LOOK AT MY JUDGEMENT!
I TOLD YOU TO BUY, AND YOU
MADE MONEY."



Don't confuse brains with
the bull market

Group consensus can be so powerful that
it erases critical past experience
and common sense



Passion is more powerful than brain power



Time is a friend of a wonderful business,
and enemy of the mediocre



The market moves wherever it wants to go;
It does not care about you or me.
The market is always right



When everyone sees it's a good investment,
it's time to sell



I have never met a man who
can forecast the market

- Warren Buffett

Invest in what you know best



Earnings without cash-flow is like
a beautiful but empty suit



If you cannot find an attractive idea,
put your money in the bank
account till you get one



An investor without investment objectives
is like a traveler without a destination



When all the experts and forecasts agree,
something else is going to happen



Have the ability to differentiate
few outstanding companies
from masses

Always play for meaningful stakes



Disregard majority opinion;
it is probably wrong



Own not the most, but the best



Investing is a strange business. It's the only one we know of, where the more expensive the products get, the more customers want to buy them



Whenever you are tempted to do what everybody else is doing, don't



Though difficult to practice, think
ahead of the crowd

The secret of long-term investment success
is benign neglect. Don't try too hard



The future is never clear and you pay
a very high price for a cheery consensus



In a turbulent sea of irrational behaviour
the rational man may be the only survivor



The market is weird. Every time one
guy sells, another one buys, and they
both think they're smart



If you want to own stocks for the
long-term, monitoring fluctuations
constantly is a very, very bad idea



Focus on the price of the company
rather than price of the share

Dividends don't lie



There are only two emotions on
Dalal Street - fear and greed



Severe changes and exceptional
returns usually don't mix



If we had no Bear markets, Bull runs would
not be so exciting



If stock market experts were so expert,
they would be buying stock, not selling advice



Four most dangerous words in
investing "it's different this time"

Don't let emotions get in
the way of your mind



When in doubt, get out



Success in the stock market is being
90 percent right 70 percent of the time



People come to the stock market with
lots of money and zero experience. They leave
the market with lots of experience and zero money



If you want to make more money
than other people, you cannot
invest like other people



Markets can remain irrational longer than you can remain solvent

There are old traders and there are bold traders, but no old and bold traders



The person that turns over the most rocks finds the gems



Common stocks are wealth creators; bonds, at best, are wealth preservators



In the stock market there is either a bull or a bear. The rest all are donkeys



The history of the stock markets tells us that they will surprise us in the future



Successful investment is intrinsically independent in nature



Without management integrity,
no margin of safety can be
high enough

Savings will not make you rich,
only canny investments do that



Managing money requires more
skill than making it



It is better to take a small loss at
first than a large one later



There are only two kinds of investors who may not
succeed... those who do not LISTEN to anybody
and those who LISTEN to everybody



One regrets more often a mistake
of action than a mistake of inaction



Stock manias do not create wealth,
they transfer and destroy it

Temperament costs investors more
than ignorance



In investing, frantic behavior is
often counter-productive



Company profits fail in practice;
not in projections



Expect the best, plan for the worst, and
prepare to be surprised



I don't think it's the pathway to long-term
success: watching business news channels and
checking your account every day

- Charles Schwab



True investors realize that
'get rich quick' usually means
'get poor quicker'

**Investors who prefer bonds don't
know what they're missing**



**When a company President is ready to buy
you lunch, it is time to sell the stock**



**Investing without research is like playing
poker without looking at the cards**

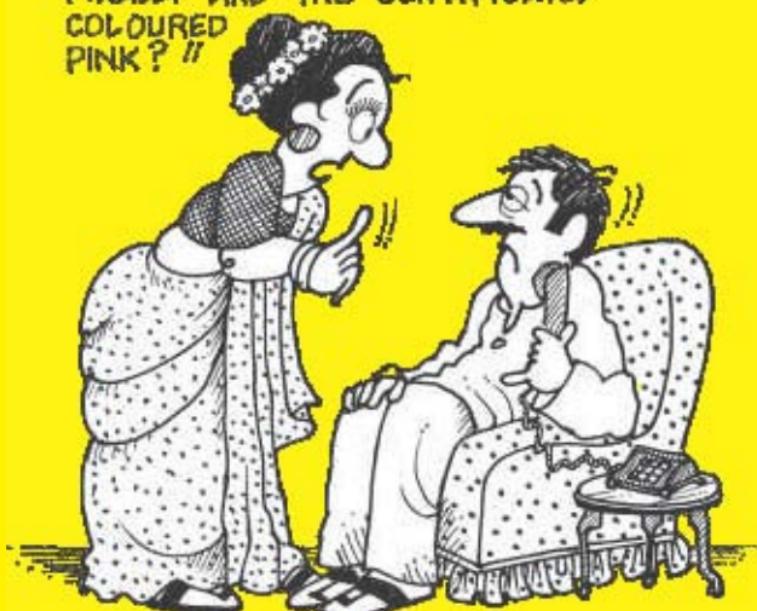


**Nothing sedates rationality like large
doses of effortless money**



**Fear and greed are stronger
than long-term resolve**

" ASK HIM ABOUT EPS, ROE, PE RATIOS,
CUM-DIVIDEND, CUM-BONUS...
FINALLY ARE THE CERTIFICATES
COLOURED PINK ? "



If we shopped for stocks the way
we shop for socks,
we would be better off

In accounting, dreams often take precedence over reality



Much success can be attributed to inactivity



The ability to say "no" is a tremendous advantage for an investor



You make your money when you buy not when you sell



At greatest extremes the noise gets loudest



No stock picker has ever had a 100% success rate



Man's most powerful discovery
'Compound Interest'

A long list of securities is a sign of an unsure, rather than a brilliant, investor



Fortune producing growth stocks are rare; and the fruits of hard work



It is optimism that is the enemy of the rational buyer



In the stock market, Bulls make money,
Bears make money, but only
the pigs get slaughtered



The public buys the most at the top and the least at the bottom



If you find yourself caught in
'market frenzy'
go for a walk and cool down

**Everyone has brain-power to make money
in stocks, but few have the stomach**



**The stock market is more strict than a teacher.
A teacher teaches a lesson and then examines
students, but the market gives the exam first
& then teaches the lesson**



**Avoid companies that withhold
or try to hide bad news**



**Stock-picking is like gambling: those who
win well, seldom bet, but when they do,
they bet heavily**



**Pessimism produces prices that
long term investors look for**



Too much portfolio churning is
injurious to your wealth

Only by growing better, can a company be
sure of not growing worse



In the absence of tailwind,
buy only great companies at good prices



In the stock market, a good nervous system
is more important than a good head



We have two classes of
market experts or forecasters:
“Those who don’t know”
and “Those who don’t know they don’t know”



I am not a professional security analyst
I would rather call myself an insecurity analyst
- George Soros

"LOOK DAD,
I BOUGHT IT OFF MY
FRIEND FOR ₹5. IT'S
WORTH TWENTY FIVE
IN THE SHOPS."

"HE'S ALREADY
UNDERSTOOD THE
ART OF WEALTH
CREATION."



Wealth creation is the art
of buying a rupee for 40 paise

**Short term transactions frequently act
as an invisible foot, kicking society in the shin**



**Markets test patience
and reward conviction**



**Like a basketball coach, look for
7-footers among stocks**



**The way to make money
is to buy when blood
is running in the streets**



**When the gap between perception
and reality is the maximum,
price is the best**

"I SHOULD'VE SOLD IN THE
BULL MARKET LAST YEAR."

"DON'T DISPAIR.
MARKET BOOMS EVERY
THREE YEARS. NEXT ONE
MAY EVEN BE BIGGER."



Despite past opportunities,
the future holds more promises