winning stocks. “Quick Formula” can produce few losses in your portfolio but the gain will outscore the loss.

- Applying “Quick Formula” is time-consuming. You need to manually check the “valuation” and “stock price movement” for any conclusion.
- Success does not necessarily come from doing so many things right. It comes from avoiding the things that are terribly wrong. So, for protecting the portfolio, you need to avoid thousands of stocks.
- “2 minutes check-up” will help you to avoid junk stocks. Plenty of recommendations will come from here and there. The art of saying “NO” is more important than selecting quality stocks.
- “2 minutes check-up” will sort out turnaround stories. You may miss some interesting stories, but there are 5000+ options in the stock market to choose. It doesn’t matter if you miss few of them.

Chapter 11

Little Bit of Myself – Important Lessons to be Learned

11.1 Start Investing as Early as You Can –

My equity investment journey started at the age of 18. While I was in the 3rd year (21 years old) of my engineering, I had started offering equity advisory service. *Nor at the age of 18, I was intelligent enough to take wise investment decisions* *neither at the age of 21, I had enough expertise to provide equity advisory service*. So, why did I take such bold steps?

The first reason - Every expert was once an amateur, and every master was once a beginner. So just start. Unless and until you start, how can you realise the potential within you?

The second reason – I always prefer to learn in a practical way rather than the traditional way of learning. Take an example of Android Apps. Almost all of you are familiar with Android or iPhone apps (applications). You might have noticed that developers keep releasing updated versions of previous apps. Why? “To fix bugs” i.e. to find out errors and fix (repair) them. Even the most successful application or software was once full of bugs (errors). Do you think, today’s Microsoft word was as smooth and as advanced since its first release? Nobody can be perfect from the day-one, but you should take the first step to becoming perfect. Along the journey you will commit mistakes, you will face failures, but those hurdles will make you stronger in the journey. Failures teach those valuable lessons that you might not have learned if succeeded in a first attempt.

Hadn’t I started investing at the age of 18 then perhaps I would not be daring to publish this book at the age of 24. Starting young means you have ample time on your side. If you lose 50,000 at the age of 18, then you can bounce back at 22 or even at 26 years old. As you grow older, your risk taking capability decreases and financial burden increases. It is obvious; you will have lots of liabilities at that time – from your children’s education to your retirement plans. So, at an older age, a hefty loss in the stock market can affect badly and diminish the chances of bouncing back.

You should start investing from the very first day of the earning. Don’t bother about the tiny investable amount. Even small investment of rupees two thousand per month at the age of 22 can grow up to 1 crore by the time you are 60. Time is the most valuable asset. If one can utilise it properly, it can create wonder. Don’t waste the precious asset called time. Just start investing NOW, don’t wait for favourable circumstances.

“Every expert was once an amateur. Don’ t wait for the perfect timing. Start right now”

11.2 Dare to Dream Big

This book is not published by the traditional publisher rather it is self-published. In the traditional publishing, the publisher bears the entire cost of printing and distribution. The author receives an advance payment and royalty on per sold copies. Unless you are a reputed writer or highly recognised in your field, it’s difficult to get approved by a big publishing house. The process is also time-consuming; there is no guarantee that the publisher will accept your manuscript. Having an engineering background, if a 24 years old guy approaches any publisher for the stock market-related book, you can easily guess their response. From my experience, the publisher rejects without even taking a look at the manuscript. Thus, self-publishing was the only option left. In self-publication, the author bears the entire cost of production. Same happened to me. I took the risk and invested a good sum starting from cover design to ISBN allocation to copyright to printing and distribution and everything else. At the time of investing and writing this book, I am not sure about the sales number of this book. It might also happen that this book may not even attract a single buyer. However, I dared to dream big and did everything that I could do. Today, not a single publisher is ready to look at my work, but *it might be possible that one-day dozens of publishers will fight themselves to publish my work.* Dreaming big is the single source of motivation. Without dreaming big, this book may not turn into reality.

Thousands of retail investors suffer loss in the stock market. You may be one of them, but should you stop dreaming? No. It might happen that one-day equity investment may become your single largest source of income. You may turn millionaire or even billionaire from your equity investment. But the first step to achieving any goal is to dream big and believe in it. Your mind is the single most powerful resource if trained well it can create wonder. Don’t pollute your mind with negative thoughts. Dare to dream big with your eyes open, believe it, take baby steps, anything is achievable for anyone.

“The first step for any achievement is to dream big, believe on

11.3 Don’t Follow the Crowd –

I did engineering from one of the finest institutions of India; IIEST, Shibpur (Erstwhile BESU and B.E College, Shibpur). At the beginning of the final year, I bagged two job offers from IBM and TCS via on-campus placement. My parents, relatives and neighbours were very happy. However, my plan was something different.

Somehow I got the feeling that I am not a fit person for the regular job. Following my instinct, I rejected the job offer from TCS and resigned from IBM on the very first day of my joining. Resigning from IBM was one of the toughest decisions of my life. My parents busted out of anger. I still remember the day, when my father scolded me in such a manner that I left the table without finishing the dinner. My father's word in short was –

“I have spent a good sum for your engineering, and you are leaving such high-paying job! How will I face the neighbours? Your friends are studying hard to bag such dream job, and you left it just for some stock market! What do you think about yourself? What to say about you in front of others, leaving from IBM, my son is playing in stocks!”

It is challenging to take such bold decisions, especially in middle-class Bengali families. Nobody will support you. Relatives and neighbours won’t miss the chance of throwing double-edged comments. You are alone, and you need to stick with your conviction irrespective of the outcome.

Within a year after resigning from IBM, I realised that it was my best decision in life. Today, thousands of my clients are getting rewarded for my service. I can work at my own time. I am doing what I love to do. I am getting much better return on the financial front also!

What is most satisfactory is that today my parents are not against my decision. Rather they are extremely happy with what I am doing. Considering my journey in the stock market (commerce field), many people still question the necessity of pursuing engineering studies? Wasn’t that wastage of money, time and energy? For those, I want to quote Albert Einstein’s word- “The value of a college *education is not the learning of* many *facts* but the training of the mind to think." Yes, college education trained my mind to think differently. My college life laid a strong foundation. It didn't help me to learn few codes and formula rather it prepared me very well to face reality.

My humble requests to all parents- kindly don't impose your thought process on your children. I know it is very difficult to let your child do as per his/her wish. But trust your children; give them a chance, who knows he might create wonders. Even after doing engineering, your child can become a successful photographer or sports person or actor or anything else. The real purpose of education is not to secure a high-paying job rather is to train our mind, to explore opportunities. Don't complain and don't bother about what others say rather encourage your child to follow his dreams. People are there to say rubbish, even Einstein, Wright Brothers and in fact everyone who did big had to hear the negatives from the society. But what an irony, the same people start praising you when you succeed in your way!

To do something different for yourself, you need to stay away from the crowd. Utilise your brain for your prosperity otherwise; someone else will use it for themselves. Every company like Google, IBM, Microsoft, TCS, etc. know very well how to utilise others brain. So, you have two choices either use your brain for yourself or get used by someone else.

The key learning from my real-life episode is to stay away from the crowd. In equity investment too, you can't make a big profit by following the crowd. During high pessimism (bear market) while the crowd refuses to purchase stocks, you can make the most from investing. Similarly during the peak of bull-run (high optimism) while everyone else is buying, you should stay cautious. You can't make big money from the too much popular stock. You have to act differently, think differently and to be on your own. In the stock market, public opinion matters very less.

"Be yourself, don' t follow the crowd."

11.4 Don’t Blame Others.

Before Paul Asset Consultant Pvt. Ltd, I had tried my luck with two different ventures. On the both occasions, I failed. First one was the attempt to create an online marketplace for second-hand books, and the other one was the attempt to offer an online platform for job seekers. I even received fund from one of my relatives, developed the website and also partnered with three other college friends to run the venture. Unfortunately, it closed down within six months. Today, many successful ventures are running based on the similar idea. Our idea was not bad, but we failed to execute it properly. Luckily, I didn’t get the chance to blame others. It was my initiative. I accepted my failure, paid back the initial funding under instalments and learned a lot. Today, I realise that my initial failure built the strong foundation. You may remember me as the founding director of a financial company, but hardly anyone will remember those painful failing attempts. Failure is always painful it teaches you some life-changing lessons. If I had blamed my friends for the failures, then it would have been hard to move ahead.

Share your success with others but take responsibility for your failures. Unfortunately, maximum individuals do the opposite! Don’t blame others under any circumstances. Try to find out where you were wrong. Blaming others simply increase the chances of repeating the same mistake.

Before joining to our equity advisory service, one of our clients, Ramesh (Name changed) suffered around ₹2 lakhs loss in Futures and Options. During our first tele-conversation, he pointed out how he was cheated and ended up losing his hard earned money. He blamed his advisor, broker and the system but never pointed out his ignorance. Ramesh is just an example. There are many investors, who always blame others for their loss. “Whenever I invest, market takes U-turn”, “My broker/advisor misguided me”, “Investing in stocks is just like gambling” – such comments are common from investors. Surprisingly, investors don’t forget to mention their own credit for any profit-making trade. How many times you have listened, “I had gain one lakh just because of my advisor”?

We, the human beings, love to take credit for our success and blame others for failure. You need to do exactly opposite; take your responsibility for failure and acknowledge others contribution for your success.

"Don' t blame others. Take the responsibility of your failure, accept your mistakes and learn the most from it."

11.5 Appreciate but Never Criticise –

I am going to share a real life incidence that changed my thought process. During early 2015, I started guiding the 5 Crores equity portfolio of an HNI client. Until the end of 2015, there was no significant gain. After that during January – February 2016 the market crashed, and the overall portfolio was showing unrealized loss of 50 Lacs. So, even after one-year association, there was no gain, rather unrealised loss of 50 Lacs! In such situation, maximum retail investors blame (or question) the advisor and consider changing the advisory or stop following the same. However, the reply from that HNI client stunned me. It goes like –

"Dear Prasenjit,

It was nice association with you. Over the last one year not all of our stocks performed well. However, even during the current market correction many of our stocks like ***, ***, *** etc remains steady. It proves the quality stock picking ability of yours. Keep up the good work. Looking for the long lasting association."

I was surprised because he didn't mention any of our non-performing stocks neither about his portfolio underperformance rather he appreciated only for the few stocks those didn't fall much! The tone of appreciation even during difficult times motivated me. I started spending more time on his portfolio. It charged up me for doing the best. I did my best, and the result was visible within nine months. The same portfolio crossed 8 Crores mark within nine months! My efforts paid off. What I learn from the entire episode is that if you want to bring the best from someone then never criticise; rather appreciate him even during difficult times. If you want to motivate someone during the difficult times, remind his past achievements. True appreciation works like wonder.

After this experience, I had applied the same principle multiple times in my home and in my office. Every time it worked!

11.6 Life is NOT All About Stock market and Money

This is perhaps the most important lesson that I learned from my journey. Life is not all about making money. Money is important, but it plays a minor role. Life is all about staying happy and contributing positively towards others life and society.

Take the example of publishing this book. The book would cost hardly Rs. 400-500. Instead of selling books, I can earn more than hundred times by managing fund or offering equity advisory service. This is why in India although there are hundreds of fund managers and equity experts hardly there is any good book written focusing small investors. Selling advisory/running mutual funds is 100 times more profitable business than selling a book. So why an equity analyst will take the pain of writing book for small investors?

I am writing this book because I believe that this book can bring positive impact towards the financial life of many individuals. Tomorrow, if I find out some new way to help others and if I enjoy doing that, then I will surely do the same. It doesn't matter in which profession you are in; it doesn't matter how old you are, you have something that can help others, which can bring positive impact on others life. A courier boy can bring happiness with the timely delivery of parcels. A photographer can bring happiness by capturing sweet moments of a newly wed couple. Teachers can bring huge positive impacts on our society to nurture their students. As a professional photographer if your sole intention is to earn money then I doubt about your prospects. However, if your sole intention is to capture great moments that can bring happiness in others life, then you will surely excel in your profession. If all of us can consider our profession in that same manner without thinking too much about money, then the world will be a happier place to live.

Ask yourself whether you are enjoying your current profession or not. If the answer comes "NO" then immediately consider other options. While considering other options don't get worried about the money. While I resigned from IBM, I controlled myself not to get worried about the money. It is difficult but not impossible. Once you start doing what you love to do, and once you can solve the problem of others then money will automatically flow. I am writing this book to solve small investors problem and if in reality, it can solve the problem of million investors then needless to say that money will automatically flow. The bigger the problem, the bigger is the opportunity to contribute to others life and also the bigger money making opportunity. So, just focus on the problem of others. You can do it from any profession. The only condition is you need to love that profession by your heart. Don't chase behind money. If you are not feeling good about attending office regularly then consider changing it. There are plenty of problems around us. Just figure out any one of them and start contributing in others life. Once you start contributing, a positive source of energy will help you to excel further in your profession and at the same time money will automatically flow. This is my real life learning. Try it; you won't be disappointed.

Success has many definitions. For me, success is all about living a happy and healthy life and helping others (in any capacity) to lead a better life.

Final Words

This book is my sincere attempt to minimise the loss in the investing journey.

On the concluding note, I am providing a "Full pledge to avoid loss". To make the most of it, write the following on plain paper and stick it in front of your work desk and read it regularly. It can have amazing consequences on your investment return over the long run. *If you follow **every word** of the following "Pledge", then I am sure you can't suffer an overall loss in equity investment.*

Investment Pledge to avoid loss

I _____(your name)__________, hereby state that I will never involve in any form of short-term trading activities (includes intraday, Futures and Options). I don't purchase stocks with the intention of making profit (sell) within 1-15 days rather my target is to hold stocks for more than one year or as long as the purchase reasons are valid.

I **WON'T** invest in any company (stock) if all the conditions hold true –

1. Last five years average Return on Equity is less than 12%, and Debt to equity ratio is greater than 1 and increasing for the last few years.
2. Price to Earnings ratio is more than double compared to the last three year's average growth rate.
3. Promoters pledge more than 50% of their holdings.

It doesn't matter how many analysts or brokerage house recommend the stock or how many times the stock appreciated in the past; I won't invest if all the parameters hold true.

I won't follow any *short-term stock tips provider*; it doesn't matter how lucrative their offer is or whatever return they promise. I won't invest blindly on any analyst's recommendation. If the recommended stock meets **all the criteria mentioned** below then only I will consider it as an investment bet –

1. Return on Equity is more than 18% or improving to reach the desired figure within the next few years.
2. Current debt to equity ratio is less than 1 or reducing significantly over the last few years.
3. P.E ratio is less than twice of the last three years average EPS growth rate.
4. Less than 20% promoter's pledging or reducing every year/quarter from a higher level.

After any analyst's recommendation, I will check all those parameters, if all those parameters hold true, then only I will consider it as investment bet.

I know that many times I will be tempted to invest in stocks because they have gone (or "are going") up in price, and other times when I will be tempted to sell my stocks because they have gone (or "are going") down.I hereby declare my refusal to take my investment decision just because of stock price movement. Annualised return of 18%-30% from stocks will be sufficient enough for me. There will be few instances where my portfolio will show more than 30% annualised return; I will consider those as "bonus" and won't expect the same trend will continue forever. Irrespective of the market condition, I will invest a pre-defined amount into quality stocks periodically (preferably monthly). The investable amount will increase only while my income goes up, it won't increase/decrease based on market movement or portfolio performance.

I won’t follow the daily price movement of my invested stocks rather I will follow only company-specific news and announcements to stay updated. I won’t be bothered about short-term market (Sensex) movement, neither try to predict index movement and nor follow any analyst for short-term market prediction. After investing in stocks, I will consider myself as a part-owner of that company and behave like an owner, not like a speculator.

I am, by signing below, stating my intention not only to abide by the terms of this contract but to re-read this document periodically (at least once in a month).

This contract is valid only when signed by at least one witness.

Signed: ________________________

Date: __________________

Witnesses:

1. ______________________

2. ______________________

“Wishing all of you happy, profitable and tension-free investment journey.”