

Quick Notes

- Find a high quality business qualifying all the 5 parameters of quality check & ask yourself is it a business, I understand very well (squarely within my circle of competence) ?

- Calculate its RoCE :

$$\text{RoCE} = \text{Avg of Profits of last 3 years} / (\text{Total Liability} - \text{Investments})$$

RoCE should be greater than 15%.

- Calculate its Value for earning yield (EY) of 15%

$$\text{Value} = \text{Avg. Profit} / (\text{No. of Shares} \times 15\% (\text{EY}))$$

- Check for Today's price from *nseindia.com* or *bseindia.com* for NSE or BSE respectively.

If Today's price is less than Value then you have Margin of Safety ie, discount on the calculated Value

- Calculate the % of MoS you have on Today's market Price

$$\text{MOS \%} = (\text{Value} - \text{Today's price}) / \text{Value}$$

It is recommended that **MoS should be greater than 20%** , for covering the higher degree of errors.

Points to remember :

- Don't listen to anyone but yourself, avoid tips & buying on impulse. Always be an independent thinker.
- Read Annual Reports carefully, Specially notes to the accounts. With reading AR you are already in top 0.1% investors :) .
- Visit Mr. Market infrequently, remember **Tax FREE Nivesh** is about patience & conviction on yourself.
- A Business should have *high promoter holding*, In context of India promoter's holding should be greater than 60% in any given business, because higher the promoter's holding more careful, concerned & accurate business works in favour of investors since promoters are already the major investors.

- **Buybacks & Bonuses** by Business are extremely positive actions as when they happens shows that promoters have high conviction that business is bound to grow & stock prices will be rising to higher levels in future.
- Investing is quite simple, but the industry has made it complicated. In its quest for instant gratification, it has woven a web of complexity to confuse the investors.
- There is no substitute to **hard work**. One needs to read alot with almost never ending thirst for knowledge and wisdom and still be cognizant of the fact and humble to state “We know that we don’t know.”

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