

# Jaagravisms

Game of  
Elimination

Contingent  
Claims

Beware of First  
Impressions

Investing  
Lessons from  
Scam 1992

Saturating the  
Circle: D-Mart

# Stock Screener: Game of Elimination

Investing is a game of Elimination!! Out of 3,694 companies analysed, no. of investible companies got reduced to 348, primarily on account of excessive leverage, nil or negative cash flows, meagre ROE and shoddy management.

That's more than 90% elimination.

***The more you eliminate, the better it becomes!!***

*So is life, isn't it? What are you eliminating?*



# Contingent Claims - Iceberg Tips!!

While “The Titanic” was deemed as unsinkable, however, when it hit an iceberg on its first voyage in 1912, the ship sank in less than 3 hours, with more than 1,500 people having lost their lives. Icebergs are inherently dangerous because almost 90% of icebergs are under water. So, what one sees is “tip of the iceberg”

**Contingent claims** are analogous to “iceberg tips”. While contingent liability is to be provided as a footnote on the balance sheet, however it is not required to be provided for or recognized, since it is an obligation that arises from past events

***What if, Contingent liabilities were to crystallize into actual liability?***



# Beware of first impressions - appearances can be deceiving!

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*“It is one of the first importance...not to allow your judgement to be biased by personal qualities. The emotional qualities are antagonistic to clear reasoning. I assure you that the most winning woman I ever knew was hanged for poisoning three little children for their insurance money and the most repellent man of my acquaintance is a philanthropist who has spent nearly a quarter of million upon the London poor”.*

*- Sherlock Holmes*

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This is not only true for people, but also for many companies where the ROE keeps increasing every year

ROE = Net Margin X Sales Turnover X Leverage

Has the ROE been increasing because of increase of net margin, turnover or Leverage? If its only because of leverage, need I say more? After all, first impressions can be deceiving!!

# Scam 1992: Investing Lessons



## *Independence*

*Think independently. We try to be sceptical of conventional wisdom and try to avoid the waves of irrational behaviour and emotion that periodically engulf Wall Street.*



## *Temperament*

*A lot of people don't have the patience or temperament to really be investors.*



## *Diversification*

*Most investors should own no more than 10 to 20 stocks. You can only know so many companies. If you're managing 50 or 100 positions, the chances that you can add value are much, much lower. Do not diversify excessively.*



## *Sitting on Your Ass*

*Sometimes the best thing to do is nothing. The hardest thing to do is sit with cash. It is very boring.*



## *Simplicity > Genius*

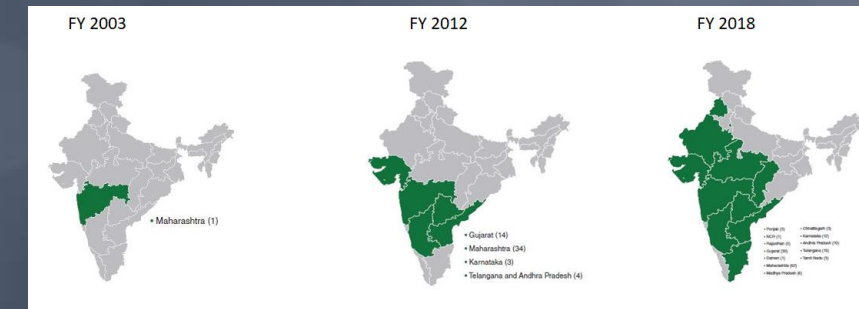
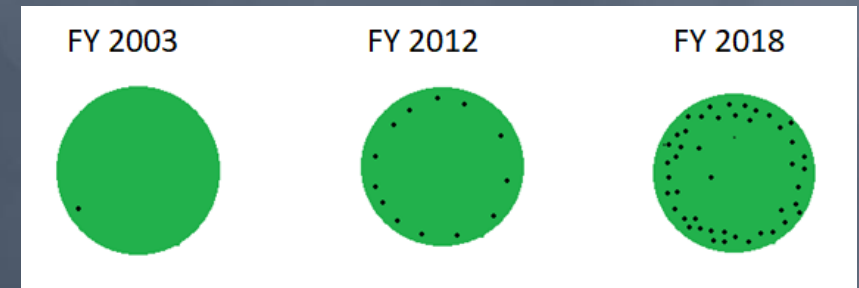
*The essence [of my investment philosophy] is simplicity*

# Saturating the Circle: D-Mart

It's not where are you today, but how have you grown over time is the key!!

In fact, DMart took 8 years to start its first 10 stores. This wasn't because of dearth of investment opportunities, but more because of Mr. Radhakishan Damani, the promoter's belief in the importance of validating the business model from a perspective of both profitability and scalability.

While many retailers talk about scalability and about achieving national footprint, without any adherence or little adherence to profitability!!



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