# BUSINESS BOOK SUMMARY

VOLUME II

# PREFACE

When we read regularly, you learn from the mistakes and success of others.

It will give you a mental map to avoid the mistakes that others have made and replicate their strategies into success.

You progress faster and make your Learning Curve Grow Steeper!

Aswini Bajaj

CEO | Finance Trainer | Guest Lecturer | Corporate Coach

CA, CS, CFA, FRM, CAIA, CIPM, CCRA, CIIB, CIRA, AIM.

# Table of Contents

# KARMAYOGI-A BIOGRAPHY OF E.SREEDHARAN

-M.S. Ashokan

If I were to ask you about the Missile Man of India you would most probably answer Sir APJ Abdul Kalam. But do you know who the Metro Man of India is?  The answer is E. Sreedharan. The book "Karmayogi", by M.S. Ashokan, speaks of the life journey of the Metro Man of India who is distinguished for his commendable contribution to the Indian railways. The title of the book itself conveys much about the man. Sreedharan has a quote framed in his office that reads

> **I PERFORM THE DEEDS. BUT I AM NOT THE ONE WHO DOES IT.**

His story proves that consistency in work results in great positive payoff in the long run. He is regarded as one of the best civil engineers in the world, also possessed a strong value system which helped him in dealing with demanding projects (including the one which was regarded as impossible at the time of British). It is a simple; yet beautiful read where we can witness the hardships faced by the civil engineer while climbing up the ladder of success. Sreedharan defines the epitome of simplicity and is also known as the man of principles.

Although Sreedharan headed many projects, Delhi Metro Rail Corporation (DMRC) and Konkan Railway Corporation were built by him from scratch, and was recognized globally and became a work of study by students of Stanford University and London University. He received fifteen honorary doctorates during his lifetime.

He was certain that not even a pinch of corruption takes place under his leadership and challenged the traditional ways in which the government employees worked and made sure that a system of discipline is instilled in them. He could not emphasize much on the significance of work ethics.

India had no idea about modern technology, in this scenario, he took up the lead in designing and planning for the Calcutta Metro without giving a second thought. He ensured that the mistakes made were not repeated. When designing a railway route from one point to the other he made sure that the day to day life of the common public residing in those areas is not affected negatively.

When people are on the verge of retirement, Sreedharan was busy servicing the public wholeheartedly.

He was as an enthusiast to take up new assignments at the age of eighty-one as when he started his career.

What keeps the zeal of Sreedharan alive throughout his professional life is the passion for his work and love for his country. The importance of spirituality in a person's growth has also been mentioned in this book. Sreedharan often mentions about the teachings of holy Gita that one should adopt for self-improvement.

He is a philanthropist who promotes the need for education. According to him being able to implement in practical life what one has studied theoretically is a much-needed quality which most of the engineers in today's time lack.

If you think that- "success comes only to the ones who graduate from top-notch universities, or one should have requisite years of experience to qualify for a particular post, or spending extra hours at the workplace will lead in the better quality of work, then this is the book which will help you dismiss these fallacies". After reading this book you can get insights into how to deal with real-time problems related to concise budget, time management, dealing with people (politicians, colleagues, labourers), and decision making.

Few of the inspiring quotes from the book are:
"Honesty is not a state where corruption is absent, but actively taking a stand to benefit the institution and society for the long term."

The only way to gain respect and recognition from peers and supervisors was to acquire the deepest knowledge and skills of one's job and improve and adapt them to the changing times. Promotions and positions would naturally find them.

"He stuck to his policy of taking the rigorous decision at the right time. It did not matter if it was right or wrong; it was more important to be able to make a decision."

**YOUR TRIBUTE TO YOUR TEACHERS MUST BE A PLEDGE TO STAND BY PROFESSIONAL ETHICS AND YOUR SENSE OF VALUES.**

**- Aditi Loharuka**

*I have a bend towards finance and keep interest in any work related to it (especially research). I am also a skilled writer. I like to work with people who possess strong business principles and are committed towards their work.*

ZERO TO ONE

-Peter Thiel

**"Madness is rare in individuals—but in groups, parties, nations, and ages it is the rule."- Nietzche**

Here are the 7 invaluable lessons I took away from this book -

1. Each Moment Happens Once - Thiel believes that each moment in business happens only once. The next Bill Gates will not build an operating system. Doing what we already know how to do takes the world from 1 to n, adding more of something familiar that is globalization. But, every time we create something new, we go from 0 to 1. The act of creation is singular, and the result is fresh and strange.

2. Monopoly is the condition of every successful business - Competitive markets destroy profits. The problem with a competitive business goes beyond the lack of profits. A monopoly like Google is different. Since it doesn't have to worry about competing with anyone on the same scale, it has wider latitude to care about its workers, its products and its impact on the wider world. Google's motto —"Don't be evil" —is in part a branding ploy, but it is also characteristic of a kind of business that is successful enough to take ethics seriously without jeopardizing its own existence.

In business, money is either an important thing or it is everything. Only one thing can allow a business to transcend the daily brute struggle for survival: monopoly profits.

3. The Contrarian Question - The business version of the contrarian question is: What valuable company is nobody building? This question is harder than it looks because a company could create a lot of value without becoming very valuable. Creating value is not enough—it also needs to capture some of the value it creates. This means that even very big businesses can be bad businesses.

4. Lies Firms Tell - We can break it down into two - lies that a monopolist tells vs the lies that a competitive firm tells. Monopolists lie to protect themselves. They know that bragging about their great monopoly invites being audited, scrutinized, and attacked. Since they very much want their monopoly profits to continue unmolested, they tend to do whatever they can to conceal their monopoly—usually by exaggerating the power of their (non-existent) competition.

Think about how Google talks about its business. It certainly doesn't claim to be a monopoly. Let's say that Google is primarily a search engine. As of May 2014, it owns about 68% of the search market. What if we frame Google as a multifaceted technology company instead? This seems reasonable enough; in addition to its search engine, Google makes dozens of other software products, not to mention robotic cars, Android phones, and wearable computers.

But 95% of Google's revenue comes from search advertising; its other products generated just $2.35 billion in 2012, and its consumer tech products a mere fraction of that. Since consumer tech is a $964 billion market globally, Google owns less than 0.24% of it—a far cry from relevance, let alone monopoly. Framing itself as just another tech company allows Google to escape all sorts of unwanted attention.

Competitive firms tell the opposite lie: "we're in a league of our own." Non-monopolists exaggerate their distinction by defining their market as the intersection of various smaller markets. This is the biggest mistake a start-up can make. The fatal temptation is to describe their market extremely narrowly so that they dominate it by definition.

5. The Best Interview Question - "What important truth do very few people agree with you on?" This is a question that sounds easy because it's straightforward. Actually, it's very hard to answer. It's intellectually difficult because the knowledge that everyone is taught in school is by definition agreed upon. And it's psychologically difficult because anyone trying to answer must say something he or she knows to be unpopular. Brilliant thinking is rare, but courage is in even shorter supply than genius.

Some common answers are:

"Our educational system is broken and urgently needs to be fixed."

"There is no God."

These are bad answers. The first and second statements might be true, but many people already agree with them. A good answer takes the following form: "Most people believe in x, but the truth is the opposite of x."

What does this have to do with the future?

In the most minimal sense, the future is simply the set of all moments yet to come. But what makes the future distinctive and important isn't that it hasn't happened yet, but rather that it will be a time when the world looks different from today. Most answers to the contrarian questions are different ways of seeing the present; good answers are as close as we can come to looking into the future.

6. War is a costly business - In the world of business, with time people become obsessed with their competitors for career advancement. Then the firms themselves become obsessed with their competitors in the marketplace. Amid all the human drama, people lose sight of what matters and focus on their rivals instead.

Last can be First - You've probably heard about “first-mover advantage”: if you’re the first entrant into a market, you can capture significant market share while competitors scramble to get started.

That can work, but moving first is a tactic, not a goal. What really matters is generating cash flows in the future, so being the first mover doesn’t do us any good if someone else comes along and unseats us. It’s much better to be the last mover – that is, to make the last great development in a specific market and enjoy years or even decades of monopoly profits which is what the moat theory states.

The term economic moat, popularized by Warren Buffett, refers to the ability of a business to maintain competitive advantages over its competitors in order to protect its long-term profits and market share from competing firms.

Chess Grandmaster José Raúl Capablanca put it well: to succeed,

**“YOU MUST STUDY THE ENDGAME BEFORE EVERYTHING ELSE.”**

Zero to One is full of counter-intuitive insights that help us in thinking and ignite possibility.

**- Ashwin Malani**

*I'm a finance and management consulting aficionado and I intend to work in an investment banking firm in the future. I'm a cinephile and a melophile. I'm always up for a good movie/series recommendation.*

# PEAKS AND VALLEYS

## - Spencer Johnson

This book talks about how to stay calm and successful even in the most challenging of environments and teaches us to look at failures from a new set of eyes. The seven invaluable lessons that I learnt from this book are:

Lesson 1: Peaks and Valleys are connected. The errors we make in Today's Good Times create Tomorrow's Bad Times. And the wise things that we do in Today's Bad Times create Tomorrow's Good Times.

Lesson 2: No one can stay in one place forever. Even if we remain physically in one spot, we are always moving in and out of places in our hearts.

**THE SECRET IS TO TRULY APPRECIATE AND ENJOY EACH TIME FOR WHAT IT IS WHILE YOU ARE LIVING IT."**

Lesson 3: Peaks are moments when we appreciate what we have. Valleys are moments when we long for what is missing.

We cannot always control external events, but we can control our Peaks and Valleys by What We Believe and What We Do. A personal Peak is a triumph over fear.

Lesson 4: The most common reason we leave a Peak too soon is arrogance, masquerading as confidence. The most common reason we stay in a Valley too long is fear, masquerading as comfort.

Lesson 5: We can change our Valley into a Peak when we find and Use the Good Hidden in the Bad Time. If we do not learn in a Valley, we can become bitter. If we truly learn something valuable, we can become better. The pain in the valley can wake us up to a truth we have been ignoring.

Lesson 6: We become more peaceful once we realize that we are not our Peaks, our 'good' times, and more importantly we are not our Valleys, our 'bad' times.

Lesson 7: We can have fewer bad times when we appreciate and manage our good times wisely. We can get out of a valley sooner when we manage to Get Outside of Ourselves: at work, by being of greater service, and in life, by being more loving and helping others.

The authors note that "there is an inverse relatioBonus Lesson: Create and follow your Sensible Vision. By sensible, it means to use all of your five senses to imagine yourself enjoying a better future in such specific, believable detail that you soon enjoy doing what takes you there and you begin to realize that you can make it happen.

**HELP PEOPLE MAKE GOOD AND BAD TIMES WORK FOR THEM TOO.**

**- Ashwin Malani**

*I'm a finance and management consulting aficionado and I intend to work in an investment banking firm in the future. I'm a cinephile and a melophile. I'm always up for a good movie/series recommendation.*

ATOMIC HABITS

-James Clear

Here are some of the invaluable lessons that I took away from this book –

1. Get 1% Better Every Day - It is so easy to overestimate the importance of one defining moment and underestimate the value of making small improvements daily. Habits are the compound interest of self-improvement. Changes that seem small and unimportant at first will compound into remarkable results

2. Forget about Goals, focus on your Systems instead - Goals are about the results we want to achieve. Systems are about the processes that lead to those results. Winners and losers have the same goals. Goal setting suffers from a serious case of survivorship bias. Achieving a goal is only a momentary change. We do not rise to the level of our goals. We fall to the level of our systems. It is the anticipation of a reward—not the fulfilment of it—that gets us to take action. Desire initiates. Pleasure sustains.

**WE ARE OUR POTTERS; FOR OUR HABITS MAKE US, AND WE MAKE OUR HABITS. - FREDERICK LANGBRIDGE**

3. The Two-Step Process to Changing our Identity - There are three layers of behaviour change: a change in our outcomes, a change in our processes, or a change in our identity. The goal is not to read a book, the goal is to become a reader. Our habits are not the only actions that influence our identity, but by their frequency, they are usually the most important ones. The most practical way to change who we are is to change what we do. The two steps that help us to change our identity are:
   - Decide the type of person we want to be.
   - Prove it to ourselves with small wins.

Our identity emerges out of our habits. Every action is a vote for the type of person we wish to become.

4. Review periodically - A lack of self-awareness is poison. Reflection and review are the antidotes. The upside of habits is that we can do things without thinking. The downside is that we stop paying attention to little errors.

Here are the 7 Tools & Techniques to create long term habits –

i. The Habits Scorecard – The Habit Scorecard is a simple exercise we can use to become more aware of our behaviour. Make a list of your daily habits. Once you have a full list, look at each behaviour, and ask yourself, "Is this a good habit, a bad habit, or a neutral habit?" If it is a good habit, write "+" next to it. If it is a bad habit, write "–". If it is a neutral habit, write "=". Hearing our bad habits spoken aloud makes the consequences seem more real. It adds weight to the action rather than letting ourselves mindlessly slip into an old routine. This approach is useful even if we're simply trying to remember a task on your to-do list.

ii. Creating an Implementation Intention – This is a strategy you can use to pair a new habit with a specific time and location. I will [BEHAVIOR] at [TIME] in [LOCATION].

iii. Premack's Principle - the principle states that "more probable behaviours will reinforce less probable behaviours." In other words, even if we don't really want to process overdue work emails, we'll become conditioned to do it if it means we get to do something you really want to do along the way. Temptation bundling is one way to make your habits more attractive. The strategy is to pair an action you want to do with an action you need to do.

iv. The Two Minute Rule - Human behaviour follows the Law of Least Effort. We will naturally gravitate toward the option that requires the least amount of work. The Two-Minute Rule states, "When we start a new habit, it should take less than two minutes to do." I used this rule to start reading again. I kept a book near my bed at night so that after getting up in the morning I start reading at least for 2 minutes and then the flow comes automatically. If it doesn't then I will put it back and go on with my day. It's better to do less than we hoped than to do nothing at all.

v. Use a commitment device – A commitment device is a choice we make in the present that controls our actions in the future. The ultimate way to lock in future behaviour is to automate our habits. Onetime choices—like enrolling in an automatic savings plan—are single actions that automate our future habits and deliver increasing returns over time.

vi. Paper Clip Strategy – This strategy is used very widely while making cold calls in sales. When the caller makes a call, he takes one clip and puts into an empty jar until he fills up the jar with clips. Habit tracking creates a visual cue that can remind us to act and is inherently motivating because we see the progress we are making and don't want to lose it.

Furthermore, habit tracking provides visual proof that we are casting votes for the type of person we wish to become, which is a delightful form of immediate and intrinsic gratification.

vii. Form a habit contract - A habit contract can be used to add a social cost to any behaviour. It makes the costs of violating our promises public and painful.

We care deeply about what others think of us, and we do not want others to have a lesser opinion of us.

Bonus Technique: Follow the Goldilocks Rule – The Goldilocks Rule states that humans experience peak motivation when working on tasks that are right on the edge of their current abilities. Not too hard. Not too easy. Just right.

**THE FIRST MISTAKE IS NEVER THE ONE THAT RUINS YOU. IT IS THE SPIRAL OF REPEATED MISTAKES THAT FOLLOWS. MISSING ONCE IS AN ACCIDENT. MISSING TWICE IS THE START OF A NEW HABIT.**

**- Ashwin Malani**

*I'm a finance and management consulting aficionado and I intend to work in an investment banking firm in the future. I'm a cinephile and a melophile. I'm always up for a good movie/series recommendation.*

YOU CAN WIN

-Shiv Khera

The book 'You Can Win' by Shiv Khera helps us establish new goals, develop a new sense of purpose and generate new ideas about ourselves. It enables us to translate positive thinking into attitude, ambition and action to give us the winning edge.

Here are the 7 invaluable lessons that I took away from this book -

1. Accept Change - Charles Dickens wrote about a prisoner who stayed for many years in a dungeon. After serving his sentence, he got his freedom. He was brought out from his cell into the bright daylight of the open world. This man looked all around and after a few moments was so uncomfortable with his newly acquired freedom that he asked to be brought back to his cell into confinement. To him, the dungeon, the chains and the darkness were more secure and comfortable than accepting the change of freedom and the open world.

This story makes me think that even though change is always difficult to cope with, it may be for the better and we should accept change in life.

**THINGS MAY COME TO THOSE WHO WAIT, BUT ONLY THE THINGS LEFT BY THOSE WHO HUSTLE.**

2. Build a Positive Attitude - William James of Harvard University said, "The greatest discovery of my generation is that human beings can alter their lives by altering their attitudes of mind." It is not the colour of the balloon, it is what is inside that makes it go up. It is what is inside that counts. The thing inside of us that makes us go up is our attitude. There has to be substance over form.

3. And then some more - The key to success can be summed up in four words: "and then some more." Nothing will take the place of persistence. Talent will not: Nothing is more common than unsuccessful people with talent. Genius will not: Unrewarded genius is a proverb. Education will not: The world is full of educated derelicts. Persistence and determination alone are omnipotent.

Most people get disappointed but winners don't get disheartened. The answer is perseverance.

4. Do small things to win - Michelangelo once said, "Trifles make perfection and perfection is no trifle." The habit of procrastination fatigues us more than the effort it takes to do it. I try to follow the Two Minute Rule which says that if we can do something within 2 minutes then we should do it at that moment itself. I can say for sure that it works like wonders. Never leave till tomorrow which we can do today. All we need is to improve 1% in 1,000 different areas. That is the winning edge!

5. The Power of Discipline - Anyone who has accomplished anything worthwhile has never done so without discipline. People without discipline try to do everything, but commit themselves to nothing. Some so-called liberal thinkers have interpreted lack of discipline as freedom.

Discipline is loving firmness. It is direction. It is prevention before a problem arises. It is harnessing and channelling energy for great performance. A discipline is an act of love. Sometimes we have to be unkind to be kind.

6. Like what you do - We keep hearing "do what you like." The reverse is just as true. Like what you do. Many times we need to do what ought to be done whether we like it or not. Many of our blessings are hidden treasures. We should count our blessings and not our troubles. Start by doing what is necessary, then what is possible, and suddenly we are doing the impossible.

7. Goals must be SMART – SMART stands for:
   -S = Specific.
   -M = Measurable.
   -A = Achievable.
   -R = Realistic.
   -T = Time-bound.

A wonderful thought: A young couple used to leave their daughter at a day-care centre every day before going to work. As they parted company, the parents and child kissed each other's hands and then put the kisses in their pockets. All during the day when the little girl got lonely she would take out a kiss and put it on her cheek. This little routine made them feel together even though they were physically apart.

**- Ashwin Malani**

*I'm a finance and management consulting aficionado and I intend to work in an investment banking firm in the future. I'm a cinephile and a melophile. I'm always up for a good movie/series recommendation.*

VALUE INVESTING &
BEHAVIOURAL FINANCE

-Parag Parikh

The book starts by explaining the difference between success and failure. Mr Parag Parikh has written in the preface of the book that our destiny is in our hands.

If we understand the universal principles of life and abide by them not only will we become successful but also will realize our wildest dreams.

Characteristics of human nature consist of the study of human action about what people do, what people say or what people intend- laziness, greed, ambition, self-interest, ignorance & vanity are some of the characteristics. People live their lives with these traits and demand-

Security, comfort, leisure, love, respect & fulfilment, in the same order but in different intensity.

**FAILURE IS AS PREDICTABLE AS SUCCESS BECAUSE IT IS THE STRENGTH OF CHARACTERS, WHICH SEPARATES THE WINNER FROM THE LOSER**

Mr Parikh has well-articulated some examples of short term gain and ending up with long term pain like a young man buying a car to impress others with minimal income and end up paying a more than desired.

In general, people considers equity investment riskier than fixed income asset, considering the volatility in the market, but, in reality, fixed income is riskier because it can eat out your fixed return.

Returns on equity depend on 2 factors fundamental and speculative whereas return in bonds or fixed income is depended on interest only.

Mr Parikh has very well explained with an example of how behaviour affects the share price and returns. It is not the fundamental performance alone which determines the returns, but also the price one pays for those set of fundamentals.

Mr Parikh has very well explained the concept of value investing, it is the expectation of people in the market.

In bullish times people are willing to pay a higher price to own a piece of the company and in bearish times they are willing to pay much less. That is the reason value investors buy stocks during bearish times as the expectations of investors are running low. A value investor at bullish times looks for good neglected stocks. Value buying is a philosophy of buying what is out of favour. A successful value investor has to learn to deal with such impulse because volatility in the market can test more often than one can bear to handle. Investing is all about generating a return that can be generated in 2 ways.

- Value investing – Hard- as it needs a lot of research requires patience
- Growth Investing – Investing in new ideas, new technologies, new IPOs, nee addition to the index.

Contrarian investor can be defined as the one who invests against the conventional wisdom, only if consent opinion appears to be wrong all about batting against the crowd. Conventional parameter like good management, healthy balance sheet, less debt does not work in terms of commodity investing, in fact, the opposite sometimes holds.

**"Investing is most intelligent when it is most business-like."–Benjamin Graham.** Basic idea about investing is how much one is getting for his money worth as compare to other opportunities so it is all about identifying strong sustainable businesses that are capable of giving one a strong sustainable income.

**PRICE IS WHAT YOU PAY, VALUE IS WHAT YOU GET. BENJAMIN GRAHAM**

The human brain is always excited by the newness in the ecosystem be it buying new clothes, house, car etc., same happens with IPO's. However, evidence suggests that such winners are very few and are far outnumbered by the losers. Sector investing is one such chapter where Mr Parikh explained to narrow down the focus on identifying various companies in a particular industry or sector. A top-down approach is one such strategy to identify the sector and then stock however the goal of any investment style is to get superior returns over other styles. It depends upon the skill of the user and his or her ability to predict the future.

**- Harsh Raj Mandloi**

*8 years of experience in Banking (retail, small and medium enterprise segments as well as corporate segment) with exposures of managing large footprint of branches, sales teams, customer service cum operation teams and channels partners with focus on revenue goals, cost efficiency , customer service and audit & compliance My area of interest :Building and Scaling up Businesses.*

# A WEALTH OF COMMON SENSE

-Ben Carslon

A wealth of Common Sense" in the present day, is one of the most insightful self-help books on personal finance that focuses on wealth management, investments, financial markets, and investor psychology. Here are some of the key takeaways from the book:

Speculation is an effort to turn a little money into a lot. Investment is an effort to prevent a lot of money from becoming a little.

Markets are not just about building wealth and making money. It is a tool for creating the freedom to gain financial independence so that one doesn't have to work for someone else & have more time to do what he/she desires.

It was seen that over the longer-term horizon stocks have outperformed all other asset classes, but there is more uncertainty in the outcome of the stock market than there is in the bond market over the short-term. Hence, stocks have a risk premium over bonds.

In the industry, it is told that stocks are what you invest in to get rich and bonds are what you invest in to stay rich.

Research shows individuals sell winning stocks and hold on to losing stocks.

Uncertainty causes stress; hence, our brains actively search to relieve that stress any way that we can. This leads investors to chase past performance and pull out money at the bottom of the market and put in money at the top. Stress is the difference between where you are and where you would like to be. It is the expectations people have for themselves and the reality they are forced to live with.

Patience & discipline will always be great equalizers in the financial markets. Time is one of the most misunderstood, yet important, concepts to understand the investment process. It increases your probability of success when you use it to your advantage.

Seven of the biggest mistakes that investors make: looking to get rich in a hurry, not having a plan in place, going with the herd, focusing exclusively on the short term, focusing only on those areas that are completely out of your control, taking the markets personally & not admitting your limitations.

Emotions are the enemy of good investment decisions. Fear, greed, euphoria, panic, speculation, envy– are the killers of our portfolio.

Compound interest doesn't happen overnight. It takes time and slowly builds on itself until it becomes a machine.

True risk is irreversible. Volatility is temporary but if one locks in losses by selling after a crash has occurred, then he/she puts themselves at risk of missing out on future gains at the worst possible time.

Market crashes leave lasting scars that make it difficult to move on and get over them. In the hindsight, this was a gift for long-term investors as a buying opportunity because you get to buy stocks at lower prices, higher dividend yields, and lower valuations.

Loss aversion demonstrates that we regret losses two to two-and-a-half times more than gains make us feel good. Checking the value of your portfolio every single day would likely feel terrible about the stock market during a bear phase.

The stock market and the economy are rarely in sync with one another.

Fidelity Investments performed a study to determine which of their accounts had done the best. They found that the investor accounts that were completely forgotten about by their account holders ended up with the best performance. They didn't tinker to trade in and out of them. They simply forgot they existed so they didn't make any changes in their portfolios.

It's not that investor's lack skill, it's the paradox of skill: as investors have become more sophisticated and the dissemination of information has gotten cheaper and quicker over time, the variation in skill has narrowed and luck has become more important."

Diversification is the best way to prepare a portfolio for a wide range of future possibilities and admit your own fallibility about the uncertain future.

International diversification is important as it protects investors from the harm caused by a single country or region's economy or stock market.

Just as asset allocation is worthless without diversification, diversification is worthless without rebalancing. Rebalancing is a systematic approach of buying low and selling high, every time you do it.

No broad market rises in a straight line forever just like no asset class crashes for good either.

Mean reversion contends that outperforming markets will eventually underperform while underperforming markets will eventually outperform.

Nick Murray once said,

**"NO MATTER HOW MUCH MONEY YOU HAVE, IF YOU'RE STILL WORRIED, YOU AREN'T WEALTHY."**

Some of the critical steps for a simplistic investing: minimize the numbers of funds or holdings that make up your portfolio, get rid of anything you don't understand or not under one's control, every time one makes a purchase shall note down the reason of purchase.

Plan a written optimum asset allocation between stocks, bonds, cash, and other assets that suits your risk profile.

Investing, in its most basic form, is about delaying gratification today, to experience gratification in the future.

Attaching a purpose/goal/meaning to the portfolio shall help one to have a better conviction in place for one's investments amidst a conundrum of cacophonic money noise.

**- Debayan Saha**

*I am presently employed in the Reliance Industries hydrocarbon dispatch department. My day to day activities includes plant inventory accounting, plant budget monitoring, MIS report publishing & plant consumable management. I love to read books, especially in the finance & personal development domain. I strongly believe that books are the building blocks of one's personality. It inculcates the mindset of not just learning new things but also about the experiences of great personalities within a few pages. Currently, I am pursuing the CFA L-1 program as an aspiring CFA charter holder.*

## FOOLED BY RANDOMNESS

**- Nasim Nicholas Taleb**

Few people tend to understand probability on a theoretical level; fewer manage to follow the real-world implications.

In fooled by randomness, attempts to explain how the world dominated by randomness has fooled us in many situations. One field in which people tend to be extra vulnerable happens to be financial markets.

1. Survivorship Bias- Consider a 22-year-old boy who has already accumulated a wealth of $3 million, which seems impressive until we realize that he got his fortune by playing Russian Roulette with Swedish mafia on three occasions for $1 million. He might be the luckier owner today, but in 42% of other possible realities, he died before his 23rd birthday. The problem is when he started guiding other young people on how he quickly gained $3 million.

Because of survivorship bias, we would never hear about the different possibilities. One must be careful while judging a performance based on results. We must also consider other alternatives or outcomes. Otherwise, we will be victims of survivorship bias.

2. The Skewness Issue- People generally confuse between probability and expectations. Expectations are probability times the pay-off. Consider a stock. It has a 90% chance of losing 10% or has a 10% chance of going up by 200%. Many people are not confident in taking such a bet as it hurts a lot more to be wrong in 90% of the cases. Even the occasional huge swings do not make out for it.

In this trading approach, Nassim Taleb loves to take advantage of the skewness issue. One of his primary strategies is to bleed some frequently but never experience a cut-throat loss, and every winning bet is big. We cannot be confused with probability and expectations. We need to maximize our profit expectancy, not our profit probability.

3. The Black Swan Problem- Till 18th October 1987, i.e., at 33,000 days of existence, Dow Jones Industrial average had never gone below 13%. On 19th October 1987, it had crashed for 22%. We can rely on historical data up to a certain extent. It cannot decide on our risk exposure.

No amount of observations of white swan can draw an inference that all swans are white. The existence of a single black swan will refute the conclusion.

4. Pascal's Wager- Always expecting that we cannot learn from historically great investors or traders because of survivorship bias and because that might be a black swan lurking around the corner presents a very pessimistic view of investing profession. To counter this, Nassim Taleb gives the classic Pascal's wager. It says that sometimes you can learn and you have nothing to lose for trying.

If historical data shows that the strategy is successful, you should use that for an advantage.

The historical evidence reveals opportunities for the future, you will be rewarded. If it does not reveal anything at all, it will probably return the market average, but historical data should not be used to decide the risk exposure.

The 5 Traits of the Market Fool

- Overestimating the accuracy of his/her belief in economic and statistical measures.
- Getting married to positions irrespective of outcomes
- Changing the story. The fool becomes a long term investor all of a sudden while losing on current positions. After all, he does not want to sell now even if they are of better value. He never considers the way of determining value might be wrong
- No plan for taking losses. He/she does not have a game plan on how to react to the event of

**- Debayan Saha**

*I am presently employed in the Reliance Industries hydrocarbon dispatch department. My day to day activities includes plant inventory accounting, plant budget monitoring, MIS report publishing & plant consumable management. I love to read books, especially in the finance & personal development domain. I strongly believe that books are the building blocks of one's personality. It inculcates the mindset of not just learning new things but also about the experiences of great personalities within a few pages. Currently, I am pursuing the CFA L-1 program as an aspiring CFA charter holder.*

THE LITTLE BOOK THAT BUILDS WEALTH- THE KNOCKOUT FORMULA FOR FINDING GREAT INVESTMENTS”

**- Pat Dorsey**

This book drives the audience (investors) through the journey of how to assess a company's competitive advantage over its peer, which is also popularly known as "Moat".

The book tells that investors should focus their long-term investments on companies with wide economic moats, resulting in earning excess returns over its competitors for extended periods, which would be ultimately recognized over time in share prices, thereby compounding investors' wealth. But there lies a problem. High returns on capital attract competitors at the doorstep of a company with fat profits margins. Hence the profit margin plummets; companies leave the playing field or move into new lines of business.

The author states an interesting line: "Buying a share of stock means that you own a tiny piece of the business". Hence, an investor needs to understand a "Moat" that a company might possess to remain committed to the stock purchased for the long term. Companies with moats also have greater resilience, because firms can fall back on a structural competitive advantage that leads to faster recovery from temporary troubles as compared to peers. In this the book, the author shows how one should go about analysing the economic moat of a company:

1. Intangible assets: Wouldn't it be great to get legal protection completely barring competitors from selling the same product? That's what patents do. Intangible assets for a company comprises of brands, patents, or regulatory licenses that allow it to sell products or services that can't be matched by competitors. Now, why would a company do so? Because the company can charge a premium relative to similar competing products in the market.

Although a rosy picture, the story doesn't end here. Patents are having a finite life, and it's a virtual certainty that it will attract competition once a profitable patent expires. Patents construe an actual sustainable competitive advantage when the firm was successful in demonstrating its historical track record of innovation over the past.

2. Switching Costs: switching bank account involves filling out some forms (online/offline) of the new bank, changing bill-paying arrangements, linking UPI with a new account, etc. There also lies uncertainty; hassle cost of current bank delaying or mishandling the transfer to your new bank.

In this case, the known cost is more than a few minutes that happen to make customers stick to its present products rather than jumping into something new. Sectors like banking, software, AMC, medical device manufacturers, etc. The author also explains many such examples that the benefits of switching are so uncertain that most people take the path of least resistance and just stay where they are.

3. Network effect: Network-based businesses can create natural monopolies and oligopolies. As the value of a good or service increases with its usage by people, the most valuable network-based products attract the many more users, thereby squeezing out smaller network players and increases its dominance in the market. The author explains the network effect with the example of Microsoft. MS Word, Excel; other Office products are ubiquitously used around the world. Other players would have a hard time gaining traction in the market because Excel and Word have become the common language of knowledge workers thereby having a vast network of users that is nearly impossible to break.

The book highlights examples of how stock exchanges, credit card companies, online retailers, etc. benefit from the network effect with wider distribution channels which in itself is an extremely powerful type of competitive advantage.

4. Cost advantages: The author states that cost advantages can stem from three sources: cheaper processes, advantageous locations, and unique assets. Dell cut out distributors, sold direct to buyers, and kept inventory very low to keep its operational costs down. The advantageous location corresponds to manufacturing units located close to the distributor market, thereby reducing freight costs considerably. For example, Cement companies set up their plants within a 50-mile radius of an addressable market. Unique assets refer to a competitive cost advantage if a company owns a resource deposit like iron ore or coal mine, with lower extraction costs than any other comparable resource producer.

5. Size Advantage: The classic example of this is a factory with an assembly line. The closer the factory is to 100 per cent capacity, the more profitable it is, and the larger the factory, the easier it is to spread

fixed costs like rent and utilities over a larger volume of production by achieving economies of scale in many of its operating segments. BskyB, the largest provider of media/OTT services in the UK, can afford to pay far more for content than rivals because it can spread the cost over a larger number of its subscribers base, having around four times more subscribers than Virgin Media Group.

**“One of the best things about being an intelligent investor is that the world is your oyster. You’re not forced to invest in industry A or industry B, so you’re free to cast a discerning eye over the entire investment universe, ignoring what you don’t like and buying what you do”.**

**- Debayan Saha**

*I am presently employed in the Reliance Industries hydrocarbon dispatch department. My day to day activities includes plant inventory accounting, plant budget monitoring, MIS report publishing & plant consumable management. I love to read books, especially in the finance & personal development domain. I strongly believe that books are the building blocks of one's personality. It inculcates the mindset of not just learning new things but also about the experiences of great personalities within a few pages. Currently, I am pursuing the CFA L-1 program as an aspiring CFA charter holder.*

# TUESDAYS WITH MORRIE

*An old man, a young man, and life's greatest lesson*

**- Mitch Albom**

This novel takes us through the everlasting bond between a teacher, Morrie, and his student, Mitch, and how in the last days of Morrie, he taught him the last lesson of life. "Amyotrophic Lateral Sclerosis, a neurological disease with no known cure", the doctor said. ALS is like a lit candle; it melts your nerves and leaves your body a pile of wax. It slowly degrades the body and takes the soul away.

Morrie had two years left.

"Now what"? Morrie thought.

Should I wither up and disappear, or do I make the best of my time left?

He decided to make death his final project.

His long lost student, Mitch, who failed his promise of keeping in touch with his mentor, becomes aware of Morrie's disease when he was featured in the television program 'Nightline' with Ted Koppel. Mitch immediately flew to Massachusetts to visit him, was welcomed by Morrie with his wide-open arms. Mitch started visiting Morrie and together they decided to have one last class, every week on Tuesdays. No books were required, there would be no final exam, and a funeral would be held instead of graduation. The last class of the professor's life only had one student, Mitch.

First Tuesday, we talk about the World- In their very first class, both Morrie and Mitch easily slid back into the waters of their college dialogue. Morrie realizes that soon someone would have to wipe my bottom, and that would be the ultimate sign of dependency. Morrie wanted to enjoy this process because he was going to be babied again. The unique way with which Morrie used to view things, amazed Mitch. Morrie ended this session by saying,

**THE MOST IMPORTANT THING IN LIFE IS TO LEARN HOW TO GIVE OUT LOVE, AND TO LET COME IN**

Second Tuesday, we talk about feeling sorry for yourself- Morrie, who was suffering from a horrible disease, had every reason to feel sorry for himself, but instead, he puts a daily limit on self-pity. Just a few tearful minutes and then on with the day. He also says that his disease is not horrible, rather wonderful, because it gave him time to say goodbye, and not everyone is so lucky.

Third Tuesday, we talk about Regrets- The next Tuesday; Mitch arrives with a tape recorder. He wanted Morrie's voice to stay with him long after he is gone. They discussed regrets and Morrie tells Mitch that he has no regrets. He added that people these days are too busy to even think about regrets, they are focused on egotistical things- career, money, mortgage etc.

He says that people need to be pushed in the direction of reflection and that everyone needs a teacher for that. Mitch realizes that he is sitting right in front of him.

Fourth Tuesday, we talk about Death- Morrie said," Everyone knows that they are going to die, but nobody believes it". He believed that if you prepare yourself for death, for it's certain, you can be more involved in your life. He emphasized on doing what the Buddhists do, have a little bird on your shoulder and ask if today the day is? Am I doing all that I need to do?

Fifth Tuesday, we talk about Family- Morrie says that there is no such foundation, no secure ground, upon which people may stand today if it isn't the family. Love is supremely important and without love, we're birds with broken wings.

Sixth Tuesday, we talk about Emotions- Detaching yourself is important. Learn to detach. According to Buddhists, don't cling to things, because everything is impermanent. If you want to detach yourself from any emotion, throw yourself into it, feel it, let the tears flow and then say, "Alright, I have experienced that emotion, and now I have to detach myself from it".

Seventh Tuesday, we talk about the Fear of Aging- Morrie lost his biggest battle, he now needed someone else to wipe his behind. But he tried to enjoy this dependency and found positive in everything. Morrie didn't buy the emphasis on youth. He was never afraid of ageing, rather he embraced it. He says, 'As you grow more, you learn more'.

Eighth Tuesday, we talk about money- Morrie says society puts our values on the wrong things and it leads to very disillusioned lives. People are brainwashed that more money is good and that is what determines one's self-worth. Morrie believes that money is not and can never be a substitute for tenderness. It is love that makes you whole and happy.

Ninth Tuesday, we talk about how love goes on- Morrie believed that “Love is how you stay alive, even after you are gone”. If people can feel love, they will remember it. He told Mitch that he wants his tombstone to read, “A Teacher to the Last”, which is very true of Morrie.

Tenth Tuesday, we talk about Marriage- Morrie talked about marriage and how everyone he knew had a problem with it. He says finding a loving relationship is so important in this culture, that you need someone to be there for you. Of course, you get tested but you figure out who you and your partner are.

Eleventh Tuesday, we talk about our Culture- Morrie believes in the inherent good of people and they are meaningful only when they are threatened and that’s what our culture does. Even though we are different, we all have the same beginning and same end, so we need to learn to live together.

Twelfth Tuesday, we talk about Forgiveness- Morrie remembered his old friend Norman who never got in touch with him when Morrie’s wife had an operation, and eventually moved to Chicago. Deeply hurt, he refused to connect with Norman and ended his friendship. Recently Norman died of cancer and Morrie regretted that he never forgave him. He thus says,

**FORGIVE YOURSELF, FORGIVE OTHERS AND MAKE PEACE WITH EVERYONE**

Thirteenth Tuesday, we talk about The Perfect Day- Mitch asked Morrie what he would do if he had one perfect healthy day. Morrie narrates by saying that he would wake up, exercise, have sweet rolls for breakfast, and then go swimming. Next, he would have friends over for lunch and have meaningful discussions. Then he would go out for a walk, have dinner and his day would end dancing and sleeping peacefully. Morrie found perfection in a simple average day.

Fourteenth Tuesday, we say Goodbye- Morrie was not doing well. Mitch arrived for the final session to say goodbye. He addressed Morrie as Coach, and they both held hands and gave each other their final hug of love.

Morrie died on a Saturday In his last days, Morrie taught Mitch and thousands of people who read this novel to love their lives and to - Live every day as if it were your last.

Fourteenth Tuesday, we say Goodbye- Morrie was not doing well. Mitch arrived for the final session to say goodbye. He addressed Morrie as Coach, and they both held hands and gave each other their final hug of love.

Morrie died on a Saturday In his last days, Morrie taught Mitch and thousands of people who read this novel to love their lives and to - Live every day as if it were your last.

**- Debayan Saha**

*I am presently employed in the Reliance Industries hydrocarbon dispatch department. My day to day activities includes plant inventory accounting, plant budget monitoring, MIS report publishing & plant consumable management. I love to read books, especially in the finance & personal development domain. I strongly believe that books are the building blocks of one's personality. It inculcates the mindset of not just learning new things but also about the experiences of great personalities within a few pages. Currently, I am pursuing the CFA L-1 program as an aspiring CFA charter holder.*

THE INTELLIGENT INVESTOR

-Benjamin Graham

It is one of the most influential and valuable books on Value Investing ever written in history by Benjamin Graham. In the beginning, it discusses the difference between Investing and Speculation. Investing here refers to three essential bridges if connected properly; it turns out to be a successful one and otherwise considered to be a Gamble or Speculation.

The first says of "Thorough Deep Analysis" of the common stock options that we are investing in and must have that one solid reason for which the investment would bring optimistic results. The second says "Safety of Principal", which means the invested amount should be safe or in other words recoverable. The last one says "Adequate Return", which infers to the minimum portfolio return that the asset should give back (at least +5%) more than the default rate of return of the non-risky investment.

**THE INTELLIGENT INVESTOR IS A REALIST WHO SELLS TO OPTIMISTS AND BUYS FROM PESSIMISTS.**

For Example, if your bank provides a return of 7% on Fixed Deposits, then your portfolio should at least be returning (+5%) more than the Fixed Deposit return, if you are investing in common stocks.

Another concept provided by Mr. Graham is on "Mr. Market" concept where he believes Mr. Market offers us several common stocks on the Wall Street daily and nearly 70-80% of the times it offers the right fair values for his products. It is only sometimes when he gets emotionally distressed when he might offer skewed prices for his products. When Mr. Market is emotionally optimistic, do sell the stock, and when pessimistic, buy it without any more arguments with him. Furthermore, Graham advises keeping a margin of Safety before investing, that is not to invest until you as an investor do not feel right about it, or wait for the "Lower fair price" to hit, which makes you buy an investment, which already has a protective layer of return even if the stock fails, or market goes down.

.

Defensive investors do not make much of their investments as they are conservative by nature in taking risks and playing a long shot, while the Enterprising Investors earns valuable returns in their long-shot investments which also brings higher risks. The strategies provided by Graham for both Defensive and Enterprising investors give them the actual clear picture of what, how and when is to be done. Graham says that buying a common stock makes you a partial stakeholder of a company and thus he urges us to view this stakeholder-ship as "Ownership in Business" which ultimately leverages your returns and makes the investment worth profitable.

**IN THE SHORT RUN, THE MARKET IS A VOTING MACHINE BUT IN THE LONG RUN, IT IS A WEIGHING MACHINE.**

**- Abhishek Dey**

THE 7 HABITS OF HIGHLY EFFECTIVE PEOPLE

-Stephen R Covey

With 15 million copies sold it is one of the finest books narrated by Stephen R Covey which describes the 7 habits that leads to a successful life. The author says that to change the situation we have to replace old destructive habits with new habits of effectiveness. Our habits must belong to our happiness and true based relationship. The seven habits described are based on natural laws and if you adopt them, they bring the maximum long term beneficial results. If we want to change our life then we must first change the way we look at the things, we should focus on improving our personal attitude and behavior.
The author reveals the seven most effective habits that are as follows:

1. Be proactive

2. Begin with the end in mind

3. Put first thing first

4. Think win-win

5. Seek first to understand then to be understood

6. Synergize

7. Sharpen your Saw

"MOST PEOPLE DO NOT LISTEN WITH THE INTENT TO UNDERSTAND; THEY LISTEN WITH THE INTENT TO REPLY."

# 1 BE PROACTIVE

The most important things that human have is their ability to think that is they can choose their thought, control their mind and manage mood as per circumstances and conditions that make responsible for our life. Proactive means taking initiative by dividing a problem into two categories as

1. The problem which can be reduced

2. The problem that we can't control so the author suggests focusing your time on what you can control instead of spending time focusing on events that you cannot control. Take action to reduce the problem.

#2 BEGIN WITH THE END IN MIND

What character would you like them to have seen in you?

What achievement and contribution would you want them to remember? These questions are motivation, to begin with, and the author also emphasizes on you need to imagine, what the other people are saying and thinking about you if you are dead and they have come on your funeral? You must develop a personal mission statement that focuses on what you want to be and do in your life.

#3 PUT FIRST THING FIRST

This book is all about time and life management. All the things you do daily can be divided into two categories they are either urgent and important or not urgent. You should ask yourself “what is that one thing you could do on a regular basis which would make a positive difference in our life? The author also mentions as Pareto principle that 80% of the results flow out of 20% of the activity. We need to focus on the important 20 % activity and set priorities to become more productive.

# 4 THINK WIN-WIN

It is based on the theory that there is plenty in this world for everybody and one person's success should not be achieved at the expense of the success of others. It also teaches you to work together to seek mutual benefits that also encourage you to see other people as cooperative rather than competitive. To become more effective we must work together to get leverage of the liability and strengthen the other people rather than normal thinking of win-lose. To enjoy success, we must overcome this style of thinking.

# 5 SEEK FIRST TO UNDERSTAND, THEN TO BE UNDERSTOOD

Reading, writing, speaking, listening are 4 types of communication skill. As the author says that if you want to become effective, you first need to listen and understand what the other person is saying. Along with writing and speaking skill, one must focus on listening skill to become highly effective.

**“I REALLY DO BELIEVE THE FINAL ACT IN PLAY IS A CRISIS IN OUR FINANCIAL INSTITUTIONS, WHICH ARE DOING SUCH DUMB, DUMB THINGS.”**

#6 Synergize

It is defined as the whole is greater than the sum of its parts. According to this principle one plus one equal three or more. It is as if a group of people collectively wish to work together to create some productive things, synergy is making improvement and creating something new with the cooperation of others.

#7 SHARPEN THE SAW

The author recommends that you need to invest some time and money on yourself, to improve your skills. This may be turned into the greatest asset in the long term and the author says to follow these steps to become more productive.

- Physical -Health Exercise.
- Spiritual -Meditation and Religious Lecture
- Mental - Formal Education, Seminar, Books, Autobiography
- Social / Emotional - Leadership, Communication, Cooperation.

Everyone who wants to become more productive and effective should read this book. Although most of the points are known, the presentation by Stephen R is incomparable. This book simply leads to the first step to success.

**TREAT A MAN AS HE IS AND HE WILL REMAIN AS HE IS. TREAT A MAN AS HE CAN AND SHOULD BE AND HE WILL BECOME AS HE CAN AND SHOULD BE**

**- Biswajit Panigraphy**

AMERICAN ICON

-Bryce G. Hoffman

This book tells the story of one of the most remarkable turnarounds in business history, the story of Ford Motor Company. Bryce Hoffman has done a commendable job documenting this riveting story. By the third quarter of 2005, Ford was about to post a loss of about 6 billion for that quarter alone. General Motors and Chrysler Corporation, which along with Ford were famously referred to as Detroit's Big Three, were facing many of the same problems, but Wall Street believed that Ford would be the first to go belly up as it was in greater trouble compared to other two. American automakers were facing these problems due to a combination of cheaper and better imports from Japanese automakers and spiking oil prices, which made better fuel efficiency of Japanese cars a compelling factor for US consumers. To complicate matters further, all of these companies had a dysfunctional organizational culture, bloated cost structure, and entitled labor unions. Nowhere these shortcomings were more obvious than Ford Motor.

**RUNNING A BUSINESS IS A DESIGN JOB. YOU NEED A POINT OF VIEW ABOUT THE FUTURE, A REALLY GOOD PLAN TO DELIVER THAT FUTURE, AND THEN RELENTLESS IMPLEMENTATION.**

When Alan Mulally arrived in Dearborn, Ford Head Office, he had almost no knowledge about automobile industry; however, he possessed traits which were required to get the job done, i.e. ability to take on an entrenched bureaucracy and have everyone pull towards a single goal. It was no mean feat. At Ford, his most important initiative was Business Plan Review or BPR weekly meetings. Each department head was required to present the progress weekly against set goals and the presentation was color coded; Green standing for projects on the plan, Red standing for off-plan and anything in danger of moving to Red color coded in yellow. This was an extremely important cultural shift in an organization where people were used to working in silos and rarely ever considered the overall organizational big picture. This shift proved immensely important when the organization faced an existential crisis in the wake of the debt crisis in 2007 and all departments were required to work in close coordination to stave off the crisis. Most importantly, this enforced a data-driven approach to decision making and enforced accountability.

Mulally was easily accessible to everyone at Ford irrespective of hierarchy. He would stop people in the hallway asking for suggestions and opinions, and took his lunch in the company cafeteria instead of the posh executive dining room. Mulally never hesitated in popping his head inside any open door to find out what was going on inside. He was acutely aware that in a hierarchical and culturally classified company like Ford, people were watching the new CEO very closely for signals and he wanted to ensure he gave all the right ones. His BPR meetings were enforced religiously and ensured that people not open to change opted themselves out of the company. Department heads were required to present themselves and were not allowed to delegate to their assistants.

Most importantly, Mulally had extremely high energy levels and every iota of his energy was required to bring about the massive transformation that he was about to bring at Ford Motors.

One of the challenges Mulally faced was that Ford operated as a group of disparate regional divisions. Mulally envisioned single, global operation which would allow tremendous cost savings and efficiencies that could be gained by eliminating duplicate efforts around the world and creating economies of scale; however, he also understood that Ford's global operations were too complex to run centrally out of headquarters at Dearborn. Ford embarked on a strategy to radically simplify its global line up. Ford and its subsidiaries were making ninety-seven nameplates around the world, way too many.

Mulally decided on a matrix organization for Ford, it made each business unit fully accountable, but also made sure that each key function of the organization, from purchasing to product development, was managed globally to maximize efficiency and economy of scale. At the same time, regional business units were left intact to stay on top of unique challenges and opportunities that each market presented.

> "YOU CANT BUILD A REPUTATION ON WHAT YOU ARE GOING TO DO."

An ambitious goal was to borrow $18 billion to fund restructuring as well as have cash in kitty for a rainy day. In hindsight, this proved to be a masterstroke as events unfolded in wake of credit crisis; however, it came at a heavy price.

Massive restructuring followed across the firm. About 10,000 salaried positions were eliminated in US. These were painful but much needed steps for survival of company. Labor contract was renegotiated allowing Ford to close the cost gap with foreign competitors and profitably produce cars in United States. He gave up the obsession with capturing market share and made making money at current volume his top priority. He took the bold step of cutting production to match the real demand and concentrated on making the vehicles so competitive that they could command a premium price. By reducing excess capacity and increasing margins, Ford was able to deliver profits at a particularly challenging time. While these efforts were underway, subprime mortgage crisis struck freezing the credit markets. Mulally's plans were working; however, Ford needed to first survive the worst crisis since Great Depression. On September 15, 2008, Lehman Brothers filed for Chapter 11 protection, aggravating the crisis into a global financial meltdown. Ford decided to decline bailout and manage their finances on their own. This decision earned Ford massive positive PR and goodwill as US public appreciated Ford's refusal to use taxpayer money and people expressed their appreciation by buying Ford cars and stock.

Ford turned around in 2010 and posted an entirely unexpected second quarter profit of $2.3 billion.

In testimony of efforts of previous 3 years, Ford managed to do what no other US Automaker had been able to do before: The Company had figured out how to make money in a down market. For Ford, finally the nightmare was over. Things continued to improve and Ford reported earnings of $2.6 billion for the second quarter of 2010 - its best quarter since 2004.

This book has many valuable lessons for students of business history and is highly recommended.

**"WE NEED TO STOP PLANNING PRODUCTS TO FILL PLANTS. WE NEED TO MATCH PRODUCTION TO THE ACTUAL DEMAND."**

**- Arun Prakash Singh**

*I am presently employed in the Operations Manager, Nuance Communications. I am a CFA Level III candidate. I love to read books, and hear podcasts. My favorite pass time is to do Bloomberg Surveillance on Weekdays*

THINK AND GROW RICH

-Napoleon Hill

"I think, therefore I am" – Rene Descartes

Written over 25 years back by Mr Napoleon Hill after the careful analysis of hundreds of successful Americans in a pursuit to unearth the secret to success and published right after the worst economic meltdown that America has ever witnessed, "The Great Depression", the book does justice to its purpose of passing over the secret of success "to those who are ready for it" and is yet contemporarily relevant. It stimulates the readers towards action and empowers them with discovery. A captivating narrative in which the crux of the secret to success has been wittily intertwined into the entire book not less than a few hundred times, hiding in plain sight for the reader to find it. The book will certainly raise several questions in the reader's mind but the reader can be sure to discover all the answers by the end of the read. In the opinion of the author, the secret works best when the reader discovers it.

**YOU ARE THE MASTER OF YOUR DESTINY. YOU CAN INFLUENCE, DIRECT AND CONTROL YOUR OWN ENVIRONMENT. YOU CAN MAKE YOUR LIFE WHAT YOU WANT IT TO BE.**

The "Aha" moment's value is worth the price and hence being in line with the author's suggestion of self-discovery of the secret this summary is written to leave a thought lingering in the mind of the reader which will certainly lead him onto embarking the beautiful journey of "discovering the secret"!

Often we hear people wishing for success, seldom do we hear of someone who desires success. Every great feat ever attained germinated from the seed of desire, nurturing in the fertile mind to finally bear fruit after being watered by perennial effort in the form of persistence. Let's break this statement down to better understand how we can succeed. Often we use wishing and desiring synonymously but the author puts in great effort to mark the subtle difference between the two which indeed marks the first step of the surreal journey to accomplishing success. Wishing is the simple expression of what one wants but is neither backed by action nor does it have a lasting effect on one's mind. Wishes are a manifestation of what we want without doing anything in return; it is devoid of a willingness to pay for it. Whereas, on the other hand, a burning desire is one that surpasses all the others and manifests when we are willing to give whatever it takes for the accomplishment of this one desire.

If we say, the goal is to seek richness a person needs to be "money conscious". Desire is intangible, yet, on the other hand, our desire is tangible. The mind bridges the gap between the two by transmuting the intangible desire into its physical equivalent. To successfully plant a desire in our minds we need to blend it with our emotions. The subconscious part of the mind where any new seed needs to be sown for it to germinate is most susceptible to emotions, thus we must mix our desire with emotions. The most powerful emotion in this context is "faith", when we truly have faith in what we want, the desire is sure to be sown well in the subconscious. But where do we find faith? Well, for effectively and certainly finding faith we must understand and apply the principle of "Auto-Suggestion", which is the medium for influencing the subconscious mind. We are required to repeatedly keep thinking about what we desire, gradually the suggestion will start sinking in and then we will automatically discover faith and on further repetition, it will get deeply seated in the mind. It might seem absurd at first but the author vouches for the fact and suggests the readers give the principle a try by reading the chapter on auto-suggestion every night before going to bed, they shall soon see the clouds of skepticism fade and sooner than later believe in the powerful principle. Thus we can train our mind in the way we desire. Knowledge is but the vista to move past the doom of ignorance to enter the realm of bliss. Often people squander time in acquiring "generic knowledge".

Being the jack of all trades and master of none is of no good use, it is the "specialized knowledge" that helps in offering our services in the most effective manner and our services lay the foundation of our financial success in any calling. It pays to know only when we know how to apply the knowledge. The best application of acquired knowledge happens when combined with the imaginative cognition's infinite power. Imagination is the workshop of the mind. An idea is translated into its physical equivalent through a plan of action.

**"SET YOUR MIND ON A DEFINITE GOAL AND OBSERVE HOW QUICKLY THE WORLD STANDS ASIDE TO LET YOU PASS."**

We are bestowed with two kinds of imagination – synthetic and creative. Whereas the synthetic imagination is a manifestation of the rearrangement of the past knowledge and experiences acquired by an individual into a new combination to yield a plan for the accomplishment of a set objective and often used more, the creative imaginative capabilities are available at the disposal of only those individuals who have through a rigorous process opened the vistas to this faculty of the human mind.

It is the creative imagination where all new and infinite possibilities and approaches to solve a given problem are generated. Next in line is the application of the process of organized planning which is the crystallization of desire into action. Writing down the plan of action reaffirms faith and brings to light the fallacies which can then be improvised to reach the plan that shall lead in the desired direction to ultimately accomplishing the set goal. Procrastination is the evil that holds hostage the possibility of the transformation of the intangible desire into its physical equivalent and can be mastered through quick and prompt decision-making. Successful people reach quick and prompt decisions and adhere to them with utmost tenacity and persistence. Persistence is the sustained effort necessary to induce faith. All that is required to become persistent is will. Will is well seated in the mind and unfolds its power when one puts it into action. Forming a “Master Mind” comes next in line. When several minds work together in unison accomplishing objectives becomes faster and effective. Among the various stimulants which help the mind attain a higher state, sexual energy tops the list. The universe is fundamentally composed of two things – matter and energy. All the other things we perceive are derived from these two. Misunderstanding sex to only be a physical manifestation keeps most in oblivion. When understood and applied correctly it is transmuted into the most powerful tool. The brain is broadcasting and receiving station for all thought impulses. It is receptive to and generative of both positive and negative thoughts. Thoughts mould the mind. Thus one is required to be conscientious when dealing with thoughts.

The prerogative to unleash the fullest capabilities of the mind is by letting only positive thoughts thrive and blocking all negative thoughts by the voluntary exercise of will. The concluding chapter brings to light the strategies to outwit the six ghosts of fear. The elimination of the unholy trio of indecision, doubt and fear are imperative to condition the mind to put into use this philosophy of success.

The book is a riveting account of the process of attaining success. An exemplar admixture of bold assertions backed by faith and anecdotes from the lives of several inspirational beings; the book is sure to guide towards resolving long-standing conundrums through the juxtaposition of apparent reality and perception. When you have come so far as reading this summary let’s raise an ethereal toast to your desire to succeed and have faith that your curiosity is sure to lead you to read the book and further towards action!

**- Muskaan Kedia**

THE OUTSIDERS

-William N. Thorndike, Jr.

This book is about eight chief executives who met two demanding criteria:

1. Outperform track record of GE CEO Jack Welch, which itself is a tall task considering that Welch is considered one of the best CEOs of all time and the de facto gold standard for CEO performance.

2. These CEOs have outperformed their peer group over an extended period of times extending 20-30 years.

The book highlights some of the common traits shared by these Outsider CEOs.

- Tom Murphy - Capital Cities Broadcasting. He concentrated on his core business, eschewing diversification. His energy was devoted to creating a conglomerate with a laser-like focus on media businesses it knew well.

> **THE BUSINESS OF BUSINESS IS A LOT OF LITTLE DECISIONS EVERY DAY MIXED UP WITH A FEW BIG DECISIONS.**

He possessed superb operational skills, complemented with excellent capital allocation skills by regularly repurchasing his shares when the market value fell below intrinsic value. He never hesitated in using leverage to acquire large stakes in industries with attractive economic characteristics, utilized his operational skills to improve operations, pay down debt, and start all over again. A dollar invested with Tom Murphy when he became CEO in 1966 was worth $204 by the time he sold the company to Disney in 1995, an extraordinary 19.9 per cent IRR over 29 years.

- Henry Singleton – founder and CEO of Teledyne, had an unusual background for a Fortune 500 CEO. He was an accomplished mathematician and scientist who attended MIT for his PhD. Singleton was reclusive who was known for highly eccentric and contrarian practices for those times. He steadfastly refused dividends when it was the norm across corporate America because he rightly calculated dividends to be tax-inefficient, ran decentralized operations almost to the point of notoriety, never split his stock even when per unit cost became high, eschewed Wall Street, and repurchased shares on a scale rarely ever seen.

Above all, he was a master capital allocator who was flexible enough to adapt to changing market conditions. Conglomerates were the rage during the 1960s commanding very high valuations. Singleton made full use of these high valuations, using his overvalued stock as currency to acquire profitable, growing companies with the leading market position in niche markets. He acquired 130 companies between 1961 and 1969. Between 1972 and 1984, Singleton bought back an astonishing 90 per cent of Teledyne's outstanding shares as he considered share repurchases to be far more tax-efficient than dividends. Between 1963 and 1990 when Singleton stepped down, he delivered 20.4 per cent compound annual return to his shareholders against 8% return for S&P 500.

- Bill Anders - General Dynamics. General Dynamics, the pioneer in the defense industry, was facing bleak future in 1989 once the Cold War ended and with it ended the policy of Soviet containment. It was during such critical time; Bill Anders assumed responsibility of General Dynamics. Anders had a bold strategic insight: Excess capacity in defense industry made redundant with the end of the Cold War had to go. He made it a priority to shift the culture from one of being an engineering mindset with little concern for shareholder interests to concentrate on profitability metrics like ROE. Cash generated from better operational efficiency and sale of non-core businesses was returned to shareholders in the form of three special tax-efficient dividends.

Next shares were repurchased to the tune of $1 billion. These highly unorthodox measures resulted in a dollar invested with Anders turning into $30 seventeen years later compared to $6 invested in S&P.

- John Malone – TCI. During the 1960s -70s, cable industry exhibited rapid growth with attractive industry dynamics. By 1973 when Malone joined TCI, it had become the fourth-largest cable company in-country; however, by 1974 the company was flirting with the bankruptcy with significant debt. Malone used adversity to his advantage, introducing financial and operating discipline to the company resulting in a frugal, entrepreneurial culture. Malone realized early that financial leverage as well as leverage with suppliers had to be utilized through the leverage of size. With finances stabilizing, he concentrated on growing in size funding internal growth and acquisitions with pretax cash flow. This meant minimizing reported earnings, a highly unconventional approach. Concept of EBITDA was first introduced by Malone. During 1973-1989 he closed 482 acquisitions, average of one every other week, at attractive valuations. He was; however, dispassionate about decision making and end up selling his company to AT&T in 1998, delivering a return of 30.3% against 14.3% for S&P.

- Katharine Graham - Washington Post. She became the CEO following the tragic suicide of her husband in 1963. She was grossly unprepared for the job and found herself the only CEO of a Fortune 500 company apart from being the mother of four children. She would demonstrate her steely nerves on multiple occasions starting in 1971 when within a week of the public offering; the Post got an opportunity to publish a negative Pentagon assessment of the Vietnam War. Nixon administration, fearing negative publicity, threatened to challenge Post's broadcast license, which would have scuttled the public offering. Katharine refused to budge establishing the reputation of Post's editorial independence. She continued her confrontation with the Nixon administration in the form of investigations into Watergate scandal, which shook the US and secured Pulitzer for the Post. She had a fruitful association with Warren Buffett and ran the post efficiently overcoming a massive union strike, aggressively bought back her shares, and made some very opportunistic acquisitions and divestiture resulting in increased value for shareholders. From 1971, when Post went public, to 1993 when she stepped down, she delivered a shareholder return of 22.3% dwarfing S&P return of 7.4%.

- Bill Stiritz - Ralston Purina. Ralston was a Fortune 100 company that had indulged in binge diversification during the 1970s resulting in stagnant stock price for a decade. Stiritz became CEO in 1980 following an unsolicited memo to the board during the CEO search process, which left the board mightily impressed. On assuming charge, he promptly re-organized the company around the consumer brands possessing attractive economics and divested businesses that did not meet the profitability and returns criteria. He initiated an aggressive stock repurchase program and later made two large acquisitions, totaling 30% of Ralston's enterprise value largely financed with debt. These transformations yielded remarkable results; profit margins grew from 9% to 15% and ROE more than doubled from 15% to 37%, resulting in shareholder return of 20% against 14.7% for S&P.

The book goes on to talk about Dick Smith (General Cinema) and Warren Buffett in some detail and this book is a compelling must-read for managers, investors, and students of business & finance.

**- Arun Prakash Singh**

*I am presently employed in the Operations Manager, Nuance Communications. I am a CFA Level III candidate. I love to read books, and hear podcasts. My favorite pass time is to do Bloomberg Surveillance on Weekdays*

## ONE UP ON WALL STREET

## -PETER LYNCH

The author Peter Lynch writes this book while working as a trainer and research analyst at Magellan Mutual funds around the 1980s. His main forte of authoring this book is about finding 'fifteen baggers' stocks while the DOW just generated a 'four beggar' return. His ambition and commitment to his research methods and identifying outperforming stocks helped him to grow the fund size from $18 million to $14 billion within thirteen years. Within this time a single share of the fund increased by 900% and outperformed the stock market by around 14 % annually. The author in the story at various point tries to remind demoralized investors that bull run in the market doesn't last forever, it's a game of patience and " Buy Right, Sit Tight ".

The author brings forward to the investors stock picking and investing strategy by dividing it into 3 parts – Preparing to Invest, Picking Winners and Long Term View.

**BIG COMPANIES HAVE SMALL MOVES, SMALL COMPANIES HAVE BIG MOVES.**

The author shares the secret of successful investing in stocks by stating his three ideologies; Stop Listening to Wall Street experts as a common man by utilizing his three per cent brain can pick up a "ten-bagger"( one which multiplies 10 times ) stock; Mutual funds are a wonderful invention for people who neither have the time nor inclination to test their wits in the stock market; ' If you are half alert you can pick spectacular performers right from the place of business or just out of a shopping mall long before Wall street expert discovers them. '

Preparing to Invest

The author begins by highlighting the concept of being 'technophobic' (Not investing in what one doesn't understand). He believes an investor need not be trendy to generate returns in stocks, what one requires is knowledge about stock in which one is investing. The author highlights his passion and firm belief in traditional 'Lynch style' of picking and investing in stocks.

He explains how the internet has evolved and investors have started looking at the price which is available everywhere rather than p/e ratio which is the least sort by most of the investors. Lynch focuses on the concept of finding the value of the stock rather than its price. It is the earnings which make or break an investment and the stock price of today, tomorrow or next week is just a distraction as per the author.

“To me, a barrage of price tags sends the wrong message”- The author highlights some basic pointers which one should consider while investing in stocks – what do you expect the stock to provide you? How long is your time horizon? How would you react to a sudden, unexpected severe drop in price? He believes this is the best way to define one’s objectives and clarify one’s attitude.

“Ultimately it is neither the stock market nor even the companies themselves that determine an investor’s fate. It is investor himself “- The author elaborates how he become a stock picker from the age of eleven, candying in the golf course with rich clients and listening to their stock tips and recommendations. The Wall Street Oxymoron incident of the author also brings forth the ways how he learnt to pick by “fifteen baggers “stocks.
Picking Winners

This portion of the story highlights the basic fundamental – do your homework, understanding that nature of companies you hold and specific reasons for holding them.

Sure, you should seek out inspiration for companies to look into from your day to day life – companies you observe doing good business and attracting strong positive word of mouth – but once you’ve identified companies, it’s time to dig in and do the research. Peter Lynch in the story lays importance to the fact of knowing everything about the company from its balance sheet to lowest management before investing in it. He lays down various parameters to select a company in which one should invest – A low price to earnings as compared to other companies, the low percentage of institutional investors, Insiders buying own stock and low debt to equity ratio are few parameters to be looked into.

**“THE SECRET OF HIS SUCCESS IS THAT HE NEVER WENT TO BUSINESS SCHOOL. IMAGINE ALL THE LESSONS HE EVER HAD TO UNLEARN”**

Lynch strongly believes that the “hot” stocks are a bad idea whereas dull and boring stocks turn out to be “fifteen baggers “. To convey his point, he has highlighted various examples to prove this analysis. He believes that the exact second of selling a stock is the time when media houses call it a hot buy. To sum up, the author's idea of picking winners is studying about individual stocks which are highlighted in this section.

The Long Term View

The last section of the story highlights the importance of designing a portfolio and believing in the thought of asset allocation. It’s about knowing the right time horizon of investing and till when to hold the stock in the portfolio. The author points out various parameters to examine before acting upon one’s portfolio: He believes one should sell the stock when the reason to hold it changes but not a second before it. One of the basic elements which he expressed in much detail is buying when everyone is selling (when the market is very low). He advises to be patient and not to move with the herd mentality-

“As long as your fundamental reason for investing doesn’t change don’t be impatient. Sit on that stock” -Lynch’s take on the value investing concept is that you shouldn’t just buy because a stock seems cheap – you should believe in the company with sound reasons backing up that belief. Don’t just blindly follow the numbers.

The book highlights the art of picking individual stocks both from the fundamental and psychological views of the author but the best tip which the author wants to reader to be convinced is –

“If you can’t convince yourself ‘When I’m down 25 per cent, I’m a buyer’ and banish forever the fatal thought ‘When I’m down 25 per cent, I’m a seller,’ then you’ll never make a decent profit in stocks”

**“THE MORE CASH THAT BUILDS UPON THE TREASURY, THE GREATER THE PRESSURE TO PISS IT AWAY.”**

**- Pratik Singhania**

*I am graduated from St.Xaviers College, Kolkata, CFA LEVEL 2 candidate, FRM Part 1 candidate and former intern at ICICI PRUDENTIAL ASSET MANAGEMENT COMPANY LTD . I am passionate about equity and bond markets.*

# About Us

Aswini Bajaj is a Commerce Graduate from St. Xavier's College, Kolkata, CA, CS, CFA, FRM, CAIA, CIPM, CCRA, CIIB, CIRA, & AIM.

- Finance Trainer
- Guest Lecturer
- Corporate Coach
- CEO | Leveraged Growth: Advisory | Consulting | Training | L&D
- Invest In Yourself - Education Management


**Contact**

+91 98310 79737

**Website**

www.leveragedgrowth.in

**Social Media**

**Address**

Diamond Heritage,
Suite 525
16, Strand Road,
Kolkata 700 001


# Disclaimer



For suggestions, clarifications & your valuable feedback write back to us at aswinibajaj.edu@gmail.com

# THANK YOU