Stock market pundits say that to make money on the bourses all you need is a pen, paper and a mind of your own. But it is usually the third element — the mind — that most investors do not possess. Going by that logic, you’d think Mumbai-based investor Naresh Khandwala is out of his mind when he tells you that he has held shares of Karur Vysya Bank and Sundaram Finance for over 20 years. But his reasons for holding stocks for long will leave you impressed.

“Why would I not hold them long,” asks Khandwala. “Sundaram Finance and Karur Vysya Bank have given returns of 100 per cent every four years. You may make money in the short term, but you will never create wealth.

Khandwala is not the only one who lives by that credo. He is one of several ‘super investors’ who started out with modest portfolios but is today worth between Rs 50 crore and Rs 100 crore. This lot may be unassuming and low-profile, but they are among the shrewdest investors of their generation. And, they are all in it for the long haul.

BW | Business world spoke to several stock market operators, wealth managers, bankers and financiers to identify five of India’s most prominent ‘super investors’ (excluding day traders, operators and proprietary book-wielding brokers). This is, by no means, an exhaustive list.

The five ‘fiercely private’ investors agreed to be profiled on the condition that they will not be probed on their net worth or investment portfolios. An estimate of their net worth was arrived at after conversations with brokers and wealth advisors.
Anil Kumar Goel (62) loves the feel of money. In the late 1960s, when his friends were in college, swaying to the tunes of the Beatles and wearing scarves like Dev Anand, Goel was toiling hard in humid Chennai (then Madras), helping his grandfather run the family’s flourishing steel trading business. “It was a nice feeling. I was just 16 years old but was handling lakhs of rupees. I liked being in business” recounts Goel with a smile.

Originally from Amritsar, Goel shifted to Chennai in the mid-60s at the behest of his grandfather, who wanted a family member to take care of his business. “My father, who had a foundry at Amritsar, was quite opposed to the idea. He wanted me to study further. But my grandfather’s wishes prevailed.”

At 13, Goel struck his first deal when he sold “slow-moving” steel angles to grape farmers from Hyderabad at a decent profit. “My first test came in 1974-75, when steel prices fell from Rs 6,000 to Rs 1,200 a tonne in six months. I somehow had the sense to buy more stock at lower prices and average out.”

However, Goel was oblivious to the happenings in the stock market. The great silver crash of 1980, the ‘Black Monday’ Hong Kong market crash of 1987 and the Rio exchange crash of 1989 made no impact on his life.

The beginning of the 1990s witnessed the first wave of retail participation in the stock markets. Flashy brokers, rags-to-riches stories and unprecedented euphoria drove people to exchanges like never before. “I had no idea about markets at that time. I was actually an accidental entrant. Our company, at the behest of an auditor, first invested in a couple of IPOs to get some tax exemption. Market was the point of discussion at every gathering, and I felt so out of place.” Goel wondered how markets went up consistently. Being a steel trader, he knew asset prices could not follow an upward trend all the time. “I was skeptical. It was illogical for prices to move up all the time.”
His premise proved right when in the second week of May 1992 the market crashed. The index slipped from 4400 levels in March 1992 to about 2200 a few months later and finally consolidated at 1800 in April 1993.

“I was quite pleased with my analysis and decided to try investing in the stock market,” says Goel. In September 1992, when the index was around 2200, Goel decided to test the market with Rs 50 lakh. By March 1993, the index fell to 1950 and the value of his investments dropped to Rs 33 lakh. “My family was not happy about it. They asked me to square off and exit. But I was adamant to succeed and recover my losses.”

The consensus view Goel got from “learned Mumbai brokers” was to “stay light” and “lie low”. “I saw no logic in that. The prices had fallen so much. I invested Rs 5 crore in May 1993, when the index was trading at 1850 levels.” A rally started in mid-1993 with the entry of foreign institutional investors (FII). By July 1993, FIIIs actually started investing in Indian companies. “By January 1994, my Rs 5 crore had become Rs 20 crore. I was a happy man,” he reminisces.

But there was a twist. The entry of FIIIs changed the markets considerably. Several Indian companies issued depository receipts (DR) at high valuations to overseas investors. This resulted in a ‘cash glut’. “Since they didn’t have a specific capex plan, these companies made bad treasury investments. Once the FIIIs understood this ploy, they dumped these companies. I decided to buy these stocks at lower levels,” he says.

Goel started buying stocks which were getting pounded by foreign investors. He bought Arvind Mills, which issued GDRs at Rs 360, but corrected to Rs 180 a few months later under selling pressure from FIIIs.

“The price decline did not stop there. I bought Arvind Mills at Rs 180 but a few months later, it was trading at Rs 7 per share. My other investments had also fallen to about 1-5 per cent of the invested value. I lost all the money I had made till then,” says Goel wistfully. But the desire to succeed in the stock market was stronger than ever and Goel exited his steel business to concentrate on the market full time. He had to sell six acres of land along Chennai’s East Coast Road to emerge from the mess.

Goel re-entered the market in 1998 with a portfolio that included EID Parry, Carborundum Universal, SAIL, Tata Steel and Tube Investments. Stock prices trebled and quadrupled by 2000. Goel never invested in IT companies because he didn’t understand the business. That saved him from the tech crash of 2000. “There’s no visibility in IT businesses. And during 2000, they were trading at obscene valuations. The market-cap of computer education chain, SSI Ltd, exceeded the combined market capitalization of the Murugappa Group, TVS and Amalgamation Group at that time. There was something terribly wrong with IT stocks.” The IT meltdown happened soon thereafter.
According to Goel, the period between 2001 and 2007 offered the best window for investors to make money from the markets. He expects a similar opportunity in 2016. “I am a believer of the 8-year cycle. The market throws up one euphoric bull phase every eight years. I think we’re very near the next big rally.”

“Goel does not believe everything that a company’s management claims. He does his own analysis. Over the past 15 years that I’ve known him, Goel has developed an intuitive feel for good businesses. He makes mistakes, but his error rate is much lower than that of others in the market,” says Sanjay Bakshi, managing director, Value Quest Capital.

Goel remains invested in a stock till it delivers returns of at least 3-4 times. He likes to invest in dividend-paying companies. His advice: Don’t read a lot to make money in markets. A successful investor is one who understands the business well.
If Goel’s advice to prospective investors is to not read too much, 40-year-old Prashant Patel’s is just the opposite — read extensively about a company before investing in it. An avid reader, Patel is keenly interested in the workings of the stock markets and swears by Charlie Munger and Warren Buffett. While he also reads books by Peter Bevelin, Eric Beinhocker, Michael Mauboussin and Joel Greenblatt, he spends a considerable part of his day keeping abreast of business reports.

“Patel’s a very curious man, always wanting to learn more and more. He believes in doing a lot of analysis before picking stocks. He’s one investor who knows his risk appetite well,” says Chetan Parikh, director at Jeetay Investments.

Patel was bitten by the stock market bug while in his third year of engineering. A chance reading of Adam Smith’s The Wealth of Nations got him so hooked to classical economics that he became an avid reader of business newspapers and magazines. That fuelled his interest in the stock market. However, no one in his family had invested in the stock market before and, so, when Patel decided to quit his father’s chemical business to become a full-fledged stock investor, his family was taken by surprise.

“My father never invested in stocks. He parked his money only in fixed deposits. Even today, he is not a big fan of stock market,” says Patel.

Patel made his first investment in 1993-94. “I bought shares worth Rs 10 lakh — mostly mid-cap engineering companies because I thought I knew the engineering sector well. I did not realize that I was investing at the peak of the valuation cycle. A few months later, the market corrected and I nearly lost my entire investment.”

It was around this time that Patel met value investor Chandrakant Sampat. Sampat’s advice to young Patel was to read Peter Drucker and Edward De Bono before making further investments. “The meeting with Sampat changed the way I looked at investment. I realized I didn’t need a finance-related degree to master the markets. I only had to read and understand.”
For the next one year I read Buffett, Drucker, Graham and Fischer,” recalls Patel.

According to him, the most difficult thing in those days was to get annual reports of companies. You either had to beg at the exchange or pay Rs 5 and buy it from a shop near Dalal Street. “I wrote to about 200 companies, requesting their annual reports; only one replied. That company was Marico. I still have Marico in my portfolio,” he says.


“I did not lose money. But after my loss in 1994, I had no courage to commit large sums of money. I was analyzing stocks well, but I just couldn’t buy shares in large numbers,” he says.

To overcome his fears, Patel started analyzing his past trades, where he gained or lost money. He made journal entries of trades and his perception about them. By 2001, Patel was fairly confident of his investment calls. “When everyone was buying IT companies, I stayed away. I could do that because I had seen a similar pattern in 1993-94, when I lost heavily by investing in engineering companies. I invested in companies like Siemens, L&T, Axis Bank (then UTI Bank), Titan Industries and Godrej Industries along with a few public sector banks. These investments gave me phenomenal returns.”

According to Patel, one has to be a great learner to be a good investor. Multi-disciplinary learning is essential to be successful in markets. “Munger’s ‘mental models’ was a revelation to me. It helped me analyse companies better,” he says.

Patel’s portfolio normally comprises 15-20 stocks with each making up 5-7 per cent of the portfolio. His office has no television. He does not check market levels on a daily basis. The basis of Patel’s investment strategy is a thorough analysis of stocks followed by purchases at cheap valuations.

“I take care of my investments. I keep a good margin of safety and I buy good businesses, not stocks. Also, I make it a point to analyze my past trades. I am careful because I’ve even seen people committing suicide after losing large sums of money in the markets,” says Patel referring to a friend who killed himself after losing money during the Harshad Mehta scam of the 90s.

Patel believes one needs to develop worldly wisdom to gain mastery over markets and investments. All laws of life are applicable to the stock markets as well.

Patel is currently reading about Tibetan life laws. “Their theory of optimism, progress, duality and order has close links with the markets,” he signs off.
WEDDED TO HIS STOCKS- NARESH KHANDELWALA

Seed Capital: Father’s portfolio which mostly had Tisco and ACC stocks
Strategy: Invest for the long term; test stocks with small sums of money; meet management
Picks: Bajaj Auto, Madras Cements, Sundaram Finance, Karur Vysya Bank, Sundram Fasteners, Asian Paints
After Market: Classical music
Investing tip: Never buy shares on a tip, unless it comes from a knowledgeable friend

Seventy-nine-year-old Naresh Khandwala still reminisces about the day he first met JRD Tata in 1943. All of nine years old, Khandwala had accompanied his father on a visit to Tisco’s steel plant at Jamshedpur.

“My father knew JRD very well. I remember him walking around the Tisco factory discussing business matters. My father held some Tata deferred papers, which I inherited when he passed away,” says Khandwala.

“My entry to the stock market was quite natural… I had to manage my father’s investments, which were mostly in Tata companies and ACC,” says Khandwala. He started managing his father’s investments at the age of 21, right after majoring in chemistry from Mumbai’s Khalsa College.

His father had a BSE membership card, but Khandwala decided against starting a broking business. “It required a lot of peer-group support. Also, at that time, there were over 500 brokers servicing investors. Instead, I decided to manage my family wealth.”

He started his ‘market education’ by visiting the Bombay Stock Exchange every day. Using his father’s card, Khandwala managed to get a badge which allowed him to enter the raucous trading ring. It was here that he met his friend — Kisan Ratilal Choksey, the current chairman of broking outfit KR Choksey Securities.

“We got on really well. Choksey, even in those days, believed in value investing. We’d spend hours reading annual reports and balance sheets,” says Khandwala, who enjoys listening to classical music.

Back then, people only invested in companies which had operations in their state. So an investor from Mumbai would only invest in companies located in and around Mumbai. This was because only big brokers had access to companies in Chennai and Kolkata.  

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“We were probably the first investors to attend an AGM outside Mumbai. Choksey and I travelled to Kolkata in the early 1970s to participate in Bajaj Auto’s AGM. Rahul Bajaj met us personally; he was quite pleased to see two investors coming all the way from Mumbai to attend the AGM,” says Khandwala, who has been an investor in Bajaj Auto since 1970 and has missed the company’s AGM only 3-4 times in the past 44 years.

Khandwala only invests in companies with a strong management. “Companies do well if their management is honest and the product is marketable,” he says.

It is this belief that prompted Khandwala to increase his holdings in Bajaj Auto in the mid-1970s when the company was dealing with a crippling labour strike which lasted over five months.

“Rahul Bajaj had told the shareholders that things would be fine and the strike would not affect Bajaj Auto’s expansion plans. Many investors did not believe Bajaj’s words and exited the company. I saw this as an opportunity to buy,” says Khandwala with a sense of contentment.

His investment in Madras Cements is another fascinating story. Both Khandwala and Choksey learnt about Madras Cements from a debenture advertisement issued by the company. The duo bought a few shares and attended the company’s AGM, which was held at its corporate office in a small village, a two-hour drive from Madurai.

“The company just had a small room as its corporate office. The management welcomed us with a sugar cube and rose petals. Later, when we spoke to the promoters, we were convinced about their intent. They were good, honest, God-fearing people.”

According to him, investors should at least have a five-year time horizon while investing in equities. “There can be a lot of bad (performance) years, but if a company is good, it will give returns in 3-5 years.”

Choksey says it is Khandwala's involvement in the stock selection process that makes him a successful investor. “Khandwala reads balance sheets and tries to meet senior management before making big investments. He makes it a point to attend AGMs of all his portfolio companies.”

Khandwala has been an investor in Madras Cements for over 30 years, Sundaram Finance and Karur Vysya Bank for 25 years and Sundaram Fasteners and Asian Paints for over 20 years. Infosys, Supreme Industries, Finoles, Thermax, Rajapalayam Mills, Dr Reddy’s Labs and KPIT Cummins are some of his other holdings.
“I test companies with small amounts of investments initially — say 500-1,000 shares. If the company is good, I increase my holding, provided I get it at an appropriate price. Buying opportunities come once in two or three years,” says Khandwala. “It’s not that I’ve always made money on my investments. I lost 80-90 per cent of my investments in companies like Rico Auto, Futura Poly, Shrishti Videocorp and, more recently, Allied Digital.”

According to him, investors should not buy stocks only because they are cheap. They should look at a company qualitatively and should not rely on leveraged purchases. “Also, never buy shares on rumours or tips — unless it comes from a knowledgeable and trustworthy friend like Choksey,” says Khandwala with a twinkle in his eye.
LESSONS WELL LEARNT - Hem Agrawal

First buy: Tandy Corporation
Strategy: Buy strong brands and companies with good R&D
Picks: Castrol India, HUL, Infosys, Ambuja Cements, Nestle, HDFC, Yes Bank
After Market: Helping slum kids learn
Investing tip: Selling is more important than buying

You get an insight into Hem Agrawal’s personality the minute he hands over his visiting card. It carries his personal motto: ‘If it is to be, it is upto me’.

Agrawal makes his money on the stock market, but he spends a significant chunk of it on educating bright kids from nearby slums.

Ask him about his ‘kids’ and Agrawal promptly flips through the pages of an album, pointing out photographs of Priyanka, Thamasi, Mahesh and others, extolling their virtues like a proud father. “You have to do something for these kids. They’re bright... They just need some support to grow out of their indigent lives.”

It is perhaps Agrawal’s own childhood that compels him to support slum kids. His father came to Mumbai from Bilaspur in search of a job in the 1930s. His Rs 20-a-month pay packet only allowed him the luxury of a small kholi (room) in a Shivaji Park chawl. Agrawal and his three siblings spent their entire childhood in this very basic of dwellings. “My father was very particular about our studies. In fact, we were the only kids in the entire chawl to study at the prestigious Bombay Scottish School,” says Agrawal.

Agrawal’s father was an ambitious man. When theatre became popular in Mumbai, he entered the stage arrangement business. This was where he met Prithviraj Kapoor, the doyen of Indian theatre. The duo got along and decided to produce a movie starring Prithviraj’s son Raj Kapoor. So, in 1948, Gopinath, directed by Mahesh Kaul, hit the screens.

“The film flopped and my father lost a lot of money. This strained his finances even further. So, to make up for the losses, he started investing in shares.”

Sometimes, Agrawal and his siblings also accompanied their father to Dalal Street. The highlight of this journey was a dollop of ice-cream or sometimes a dosa from the South Indian joint nearby.
After majoring in electrical engineering, Agrawal proceeded to the US for his Master's and worked there for 17 years. His first investment was in US equities. He invested in a company called Tandy Corporation, which sold do-it-yourself radio kits under the brand name Radioshack.

“The company went bankrupt soon after I invested in it. The introduction of semi-conductors killed the concept of do-it-yourself radios. I lost my entire investment in Tandy Corp,” says Agrawal. Later, however, he earned significant returns on his investments in Dome Petroleum and Resorts International.

It was only after he returned to India in 1990 that Agrawal began investing heavily in the Indian stock market. His brothers, who were both trading members on the BSE, helped him with his investments initially. He bought shares of strong brands and technology-driven companies such as Castrol India, HUL, Infosys and Ambuja Cement in large numbers.

The dotcom crash of 2000 inflicted heavy damage on Agrawal’s portfolio. He had significant exposure to IT companies. “I did not see the tech bubble coming. I lost a lot of money during the dotcom market crash. It was then that I learnt that selling was more important than buying.”

Agrawal now prefers a wide portfolio with several companies. HDFC, CRISIL, Sun Pharma, Thermax, Yes Bank, Nestle, GSK Pharma, Blue Star, Voltas, Info Edge India, Cipla and Gateway Distriparks are amongst his top picks. He also has investments in several dividend-paying MNCs.

“I invest for the long-term. It’s best to invest in companies that are competent to meet the domestic demand,” he says.

“It’s not that I don’t lose money on the stock market. My investment in Pan Clothing and Moser Baer marked huge losses on my portfolio. I bought Pan Clothing and Moser Baer at Rs 15 and Rs 140 a share, respectively, and exited these stocks at Rs 7 and Rs 35, respectively.”

Agrawal loves to read. He also enjoys watching the classics. He travels to the UK two or three times a year to spend time with his daughters. While there, he frequents the British Film Institute to watch rare movies. According to him, Kaagaz Ke Phool and Sahib Bibi Aur Ghulam are the two most impactful Bollywood movies of our times.

“To be successful, you have to be knowledgeable and have strong emotional skills. I don’t celebrate when I make money, nor do I get dejected when I lose some.” Agrawal sums up, quoting his favourite line from the Bhagvad Gita: “I am not attached to the fruits of my labour, though I am entitled to it.”
JACK OF ALL TRADES - VIJAY SACHDEV

Seed Capital: Rs 1.5 lakh plus father's portfolio
Strategy: Book profits regularly
Picks: AnantRaj Industries, Sesa Goa, Unitech, Divi’s Labs, Coal India, Swaraj Engines
After Market: Golf
Investing tip: To profit from the market, you have to stay invested for 4-5 years

Perhaps, it was the failure of his father to make money in the stock markets that prompted Vijay Sachdev to excel in it. He still remembers his father dabbling in shares, but never making worthwhile gains.

“My father worked with Hindustan Lever and owned some shares of the company. He tried to punt and scalp, but rarely met with any success. He lost money most of the time,” reminisces Sachdev, sitting in his Connaught Place office in New Delhi.

The aspirations of his father to achieve financial stability through the stock market never really fructified. It reached a point where Sachdev’s father believed that one needed to be destined to make money on the stock market.

Little did he realise that, years later, his son Vijay, and grandson Paulastya (Paulastya is an epithet of Lord Kuber, the God of riches) would carve out a niche for themselves as savvy investors with interest in stocks, private equity and real estate.

“We were in big financial trouble when my father passed away in 1978. Our only hope of coming out of the mess rested on some Hindustan Lever shares which my father had in his portfolio. I churned a small portion of the portfolio, while keeping the other portion as core. I was lucky not to suffer deep losses then,” says Sachdev.

Now 60 and greying, Sachdev studied at St Xavier's School and Shri Ram College of Commerce in Delhi. After earning a degree in commerce, Sachdev decided to work towards a career in petrol retailing. He shifted base to Amritsar, where one of his uncles owned a petrol pump.

“I learnt a lot about fuel retailing. In fact, I was trained by Caltex officials. My first salary was Rs 300 a month and 10 per cent of profits. There was not much money to be made in the petroleum business then. We sold petrol at Rs 1.60 a litre those days.”
However, a couple of years at the Amritsar pump sharpened Sachdev’s business acumen. He managed to get a distribution license in 1978, and along with a few partners opened a petroleum pump in Delhi. To supplement his income, he also opened an authorized Maruti service station-cum-workshop.

Sachdev started investing in the stock market in 1988. “My first investment was Rs 1.5 lakh in a basket of stocks. Unfortunately, this was done at the peak of the cycle. A week on, my investment had shrunk by about 25 per cent. It took me a whole year to recover from the shock of that loss.”

However, he soon realised that losses were inherent in the stock market and there was no point crying over lost money or opportunities. “I’ve lost money in markets due to over-confidence. I lost 70- 80 per cent of my investments in companies like KLG Systels and Glodyne Technologies.”

“Whatever profits I earned, I invested in shares. I made a lot of money in 1991-92. My investments in companies like Divi’s Labs and Unitech extended my portfolio gains. Though I made money, I could not redeem my investments in other stocks. My best exits happened in 2001-02, when I moved out close to peak values,” says Sachdev. “I believe in long-term investing. To profit from the market, you have to stay invested for 4-5 years,” he says.

Agrees Arun Kejriwal, director of stock advisory firm Kejriwal Research & Information Services. “One needs to have a lot of patience to make money in the markets. You also have to be quite systematic in your approach to investing. Sachdev has both these traits. His best quality is that he invests for the long term and does not use leverage.”

Sachdev uses a simple checklist while investing in the markets. He analyses the industry, the company, quality of management and dividend payout while placing stock bets. AnantRaj Industries, Sesa Goa, Unitech, Divi’s Labs, Coal India, Swaraj Engines, Agro Tech Foods and Selan Exploration are among his best stock picks.

Over the past few years, Sachdev has also built a real estate portfolio with most of his investments in the NCR. “I started shifting my gains in the market to real estate a few years ago.” His investment portfolio — in value terms — is currently balanced at a 60:40 ratio favouring real estate. This, in a way, makes real estate his core portfolio.

“Real estate is pretty much a local play. You’ve to really understand the business dynamics to invest in land and projects. Also you have to be doubly sure about the quality of a title, rights, lien and encumbrances before investing in property,” Sachdev warns potential investors. Apart from equities and real estate, Sachdev is also encouraging his eldest son, Paulastya, to structure a private equity portfolio.
While Sachdev has a couple of offices in Delhi, he still prefers to spend more time at his petrol pump. “A petrol pump is a fascinating place to hang around. You meet a lot of people there. In fact, most of my investment contacts have come from my interactions (with various people) at the pump,” he says. “I’ve come up the hard way. There were no short-cuts in my life.

I’ve achieved all this only because I’ve always had my back against the wall.”

**SOURCE:-**

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Company Background

- Turtle Wealth Management is formed by Passionate Team to give a radical change in Financial Markets & Wealth Creation.

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  - Trust

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