20 MANTRAS TO WISE INVESTING

Save prudently.....Invest even more wisely
- You need to invest, otherwise your savings will depreciate in value/purchasing power.
- However, mindless or reckless investing is hazardous to wealth; Please become an investor… and not a trader or a gambler.

20 Mantras to Wise Investing

Mantra 1
Follow life-cycle investing
- You can afford to take greater risks when you are young.
- As you cross 50, you should consider gradually getting out of risk instruments.
- By 60, you may exit risk instruments. (To not lose your capital when you have stopped earning new money). There are better things to do than watch the ticker on TV!

Mantra 2
Read carefully, and take informed decisions
- Do due diligence; take informed decisions.
- Read about options and processes on iepf.gov.in and visit mca.gov.in for more information on companies
- For example, for IPOs, read about the offer. This is difficult, with the offer documents now running into more than 1000 pages; abridged prospectus too is difficult to read. Yet, read you must, at least, the risk factors, litigations, promoters, company track record, issue objects and key financial data.

Mantra 3
Invest only in fundamentally strong companies
- Invest only in companies with strong fundamentals; these are the ones that will withstand market pressures, and perform well in the long term.
- Strong stocks are also liquid stocks.
- Do not go for penny stocks; you may get lured as these rise by 5-10% a day against top stocks that rise 5-10% in a year; you will typically enter at peak and then make losses.
- Remember, equity investments cannot be sold back to the company/promoters.

Mantra 4
Consider investing in IPOs
- IPOs have been a good entry point.
- Decide whether you are investing in an IPO as an IPO or in the IPO of a company.
- During bull runs, almost all IPOs provide positive returns on the listing day. If investing in an IPO just because it is an IPO during a bull phase, it may be advisable to exit on the listing date, as you have invested without due diligence.
- However, most such investors put IPOs on a pedestal and expect them to perform forever. That will not happen as an IPO becomes a listed stock on the listing date, and will then behave like that; and only some will be outstanding.
- If an investor does not book profit on the listing date, he is either greedy or takes a wrong call on the company/industry/market. He should then not fault the IPO price or blame regular/issuer/merchant banker. In any case, he invested in the IPO by choice; it was not forced upon him.
- However, if you invest in the IPO of a company, with due diligence, then do not get bothered by immediate post-listing performance or volatility. Remain invested as you would in a listed stock.
Mantra 5
**PSU IPOs deserve special attention**
- PSU IPOs are typically from companies that are profitable and have a significant track record and market leadership; also very little risk of fraud.
- In almost all PSU IPOs, there is a discount for the retail investors.

Mantra 6
**Invest in mutual funds, but select the right fund and scheme**
- Mutual funds are a better vehicle for the small investors, most of whom have little skills or time to manage a personal portfolio.
- The problem is that there are too many mutual funds, and there are too many schemes. Spend time to select the right fund manager and the right scheme/s.
- And remember, mutual funds are subject not just to market risks, and that investing in these does not mean guaranteed returns.

Mantra 7
**Beware of free advice**
- Too many people in the capital market offer free advice; these come through TV, print media, websites, emails and SMS.
- Don’t act blindly on such advice; remember free advice carries no accountability.

Mantra 8
**Don't get taken in by advertisements**
- Advertisements are to make you feel good.
- Don't get carried away by attractive headlines, appealing visuals/messages.
- Don’t get carried away by upward arrows, big percentages and deceptive numbers.

Mantra 9
**Don't get overwhelmed by sectoral frenzies/bull runs**
- Remember, you can not buy the shares of the Indian economy or of India Inc. or of a sector… ultimately you have to buy into a specific company.
- Also, sectoral frenzies keep changing.
- All companies in a sector are not necessarily outstanding. Each sector will have some very good companies, some reasonably good companies and many bad companies.
- Be also careful about companies that change their names to reflect current sectoral fancy.

Mantra 10
**Look at the credentials of the entity/person**
- Many scamsters are waiting to exploit your greed; targeting gullible small investors.
- Be careful about the entity seeking your money; visit watchoutinvestorts.com before investing.

Mantra 11
**Be careful promoters issuing shares/warrants to themselves**
- Many a times, preferential allotments to promoters are for the benefit of the promoters only, at the expense of minority shareholders.

Mantra 12
**"Cheap" shares are not necessarily worth buying**
- Price of a share can be low (and therefore appear cheap) because in reality the company is not doing well; the hype about the company/sector and comparison with prices of good companies may induce you.
- Worse, the price can become low because the face value has been split (over 500 companies have split their shares); rationale given is to make shares affordable to small
investors; not valid as one can buy even one share; real purpose is to make shares appear “cheap”

**Mantra 13**
**Beware of guaranteed returns offers**
- Be extra careful before investing in any offer which promises very high returns.
- Remember the plantation companies many of which promised phenomenal returns (in some cases, 50% on Day 1)!
- Let not greed make you an easy prey!

**Mantra 14**
**Don’t borrow to invest**
- Interest mounts by the day; returns don’t necessarily.
- Invest within your means.

**Mantra 15**
**Deal only with registered intermediaries**
- There are many unregistered operators in the market who will lure you with promises of high returns, and then vanish with your money or they will mis-sell or they will undertake unauthorized transactions.
- Deal with registered intermediaries, it also allows recourse to regulatory action.

**Mantra 16**
**Don’t over-depend upon ‘comfort’ factors like**
- IPO Grading
- Independent Directors
- Corporate Governance Awards
- CSR Activities

**Mantra 17**
**Don’t take decisions based just on summary accounts**
- Read through the schedules as well as qualifications and notes to the accounts.
- Check out for “Other Income” and unusual expenses
- Look out especially for entries relating to related party transactions, sundry debtors, subsidiaries’ accounts, cash/bank balances.

**Mantra 18**
**Learn to sell**
- Most investors buy and then just hold on (Regrettably, most advice by experts on the media is also to buy or hold, rarely to sell).
- Profit is profit only when it is in your bank (and not in your register or Excel sheet).
- Don’t be greedy. Leave some profits for the buyer too. Remember, you cannot maximize the market’s profits.
- Set a profit target and sell, unless you have good reasons to hold on for very long term.

**Mantra 19**
**If after all this, you do have a grievance...**
- Seek help of www.investorhelpline.in.

**The final... Mantra 20**
**Be honest**
- Be honest as only then you can demand honesty and fight for your rights.