

Market Maestro: Unraveling the iThought Process

Nooresh Merani: So, Shyam, great to have you here on Stoic Talks. Tell us something about your initial start in the markets, which we don't know about. We've read about you in the book, and we've heard a lot about you everywhere else, but something which we don't know about.

Shyam Sekhar: See, when I completed my graduation, I had no choice but to join a family business, which was in manufacturing. It didn't excite me that much at that point in time. So I wanted some escape for a few hours, where your mind is not on that which you're not enjoying doing. In that search, I found my neighbour was an avid investor and I used to sit with him those few hours in the afternoons. And that's how I got introduced to equities, companies, and ownership of businesses. So it was completely accidental. I had no idea that this is going to be something, I will like or that this was something that suits me, none of it. I was trying to run away from something and I just hid under a staircase and that staircase was this.

Nooresh Merani: Luckily, you ended up at a different place.

Shyam Sekhar: Yeah, when you hide under a staircase, someday you're going to climb that staircase.

Manish Dhawan: So that neighbour was Mr K Sudarshan. Tell us something about him and how he probably initially influenced you and probably set the standard operating procedures for you.

Shyam Sekhar: Generally you expect to learn from people who give you very smart investment ideas of how you must make very breezy switches, very tactical calls, very effective techniques and so many things. That's how modern investing is. But this was an old-school person who believed in buying businesses and owning them and just reading the annual reports, enjoying the dividends, putting the dividends back into some other stocks and not at all showing any worry or concern about what happens to other investors, what happens in the broader market, who is doing what, none of it. So he was basically a person of a very contented personality and such a personality will have values which are also allied. So that was the uniqueness of him. And from that, I also learned that you should have your own ideas, good or bad, hit or miss. Work on your own to find your ideas. Don't look outside for anything. And he also freely shared knowledge. That is another aspect which I learned from him and subsequently also from Mr Goel. That is, they share knowledge very freely. They discuss very freely. If you notice, when we meet privately also, we discuss very freely. There is no Chinese wall or anything. Anyone can ask anything and we'll say what we think that comes to our mind. Of course, it doesn't suit a public discourse like Twitter or some other places. But that was my learning, that you should be very free and frank and honest in what you speak. All those things help because you are in your learning phase. Time is the essence. If somebody is holding back anything from you, you may lose years even learning something very fundamental and basic. Whereas when somebody gives without any condition, the other person

doesn't waste time. He goes to the next station of learning. So the journey keeps moving. That was another aspect which I learned from him. That is why my learning was very accelerated over those two years, between June of 1990 and May of 1992. So those two years were very, very breezy and accelerated and a lot was happening in India. We would constantly discuss what will happen because there is intense criticism of everything that is happening in the country, no different from what you see today. But the only thing is, it was done by highly educated people, scholars, academicians, and people who we usually respect. They were all getting that call wrong at that time. So for us, it was a call against them actually, in a sense, where you understand what is happening. So that contrarian thinking also was forced on us because of the circumstances and the relationship that you have with the person who is teaching you, both.

Nooresh Merani: So, post that 1990-92 period, how was the lull? How did you go through that 1994 to 1997-98 which was a relatively tougher period?

Shyam Sekhar: So, from June 1992 to April 1993, I was not in the market, but I was very much in the investment world. So I did zero transactions for nine months, zero, nothing.

Nooresh Merani: Any reasons for that?

Shyam Sekhar: I was studying, and that's when I learned value investing. I was in Bangalore doing a 1Y program at IIM Bangalore. I used the time to learn value investing in a structured way in 1992-1993. It also helped me learn equity research. So the nine months was a time when I learned and again I came back in July of 1993.

Nooresh Merani: It almost coincided with the top of the markets back then.

Shyam Sekhar: No, only after the top I went to study. It's not a coincidence. He felt that things are going to go bad, you go learn and don't sit here. So he basically asked me to go there rather than sit in the market.

Manish Dhawan: So you basically sat out the entire IT boom?

Shyam Sekhar: No, no, 1992-93.

Manish Dhawan: Oh sorry! 1992-93. Yeah, Okay!

Shyam Sekhar: Post-Harshad Mehta crisis. After the crash, I went out.

Manish Dhawan: So in the book, you also mentioned that the Harshad stocks did not bother you much because you were not invested.

Shyam Sekhar: In fact, I have never participated in any boom, which the market has fancied. None, Zero! In my entire career, I have never participated like in 1992,1994,2000, 2008, 2022.

Manish Dhawan: So in a way, the sabbatical that you took for the education was pretty well-timed.

Shyam Sekhar: It was conscious. That's what I'm trying to tell you. It is not timed or anything. It was guided and conscious.

Nooresh Merani: So what was next after that? We again got a good time in 1994.

Shyam Sekhar: When I came back, with some of my market friends, we reconnected. So we again started talking about the context and what is happening and all that. At the time, I was of the view that we should do equity research. We should not do anything else. But there was no equity research at that time in India. In 1993, there was nothing actually, definitely not in a city like Chennai. Maybe in Bombay, there were some FII who had just come in and you can't even talk to an analyst or somebody in the research field. Research field people were in ivory towers at that time. Now they are on the streets. But they were in ivory towers. So you couldn't talk to anyone. That's why, we did it on our own with whatever we had. We had to buy a capital line and all those things. We spent on your own. So we started doing research on our own, writing a report, and then buying stocks based on that. We were sharing those reports with a few investors who respected equity research. So that's how it started. Entirely proprietary. No clients.

Manish Dhawan: In the book, you mentioned that your first big hit was Pond's, which was later bought by Hindustan Unilever. And you had put a whopping 60% of your net worth into it. Now, this is a common theme I've seen in many of India's success stories. My question is, do you really look back and do the calculation of probably survivorship bias and scenario analysis, maybe in a parallel universe What if that investment had failed?

Shyam Sekhar: No, first, I don't look back and second, at that point also, it was circumstantial. Somebody wanted to sell Pond's. They wanted money immediately. And I had the money. It's like, you see the classic situation of how very, very large investors and iconic investors buy big parcels in companies, right? You have the money ready. That's the first principle. Somebody comes and wants to sell. That's the second one. And the third one, you are able to make your decision quickly. The fourth one is you don't let any procrastination, delays and other behavioural traits come in the way. So that's how you buy. So there is nothing to look back after that.

Nooresh Merani: I think you've done that multiple times. I remember the first time we met, this was many years back. That time it was sugar stocks which you had lapped from some institutions and a bunch of your investors. So, how do you decide? Because when this happens, there is not a big time window to actually decide, I suppose, right? You cannot decide over days or months also. So, is it more instinctive based or you start working a lot more on that idea?

Shyam Sekhar: No, in your mind, some ideas are running at any point in time. Like today you will have 10 ideas running in your mind. You always have space for some more ideas to enter also. So, somebody like us discusses and you tell me something to have a look at. And when I see it somewhere, sometimes it hits you. It's like a flavour only, right? Then you again go deeper into it. So it's very instinctive and very natural and very procrastinating. It is not something which is conscious. And you keep on doing this all the time. So you do it for 10 years, 20 years, 30 years, and afterwards. What happens is your familiarity with situations starts helping you in some way. But in the early days, it used to be a lot of instinctive and then hardworking, follow up, you know, combining to make a decision, that's how it is.

Manish Dhawan: Yeah, my question was about the sizing of the position. Let's say the same situation was to occur now, you're not going to put 60% of your net worth in one bit, right?

Shyam Sekhar: No, because of circumstances, 60% is not an option. But I do have stocks which go up to 25-30% progressively in cycles. And then I use it to fund others.

Manish Dhawan: Okay, so would it be fair to phrase it like this? Because initially once a person is starting off, it's okay to go concentrated, correct?

Shyam Sekhar: It's okay if you know how to handle it. It's like driving. Today, I won't drive at 150 kmph, right? At 21, I probably had some raw guts to do it. So looking back, if you say it's okay to drive at 150 kmph, I can't say it's okay. I mean, just be careful.

Manish Dhawan: So in the current scenario, how big do you allow any one stock to become in your portfolio? At what level of appreciation would you start trimming down the position?

Shyam Sekhar: The first point, in listed stocks, you have the luxury of trimming. In unlisted you don't, it just grows. That's all. So when you create positions which are not listed, this trimming is not happening nowadays. The second point is that you also try to run some companies for 5-10 years at least. So consciously, I don't look to trim. But I trim where I feel the management is not that great. There are many companies where situationally you buy. Like sugar is a situational bet. It's a contextual bet. And when everyone is buying, when there's huge noise, when you see in all our WhatsApp groups that people are bullish about, I sell. That's weird man. I mean, I'm hit by all the positive news and I sell. So then that's how I trim.

Nooresh Merani: Interesting. So in terms of initial bet, what is the largest you'll go in the listed entity? Initial, the first sizing of the bet, say if the first accumulation for the first year or whatever?

Shyam Sekhar: No, even last year, I went up to 10-12%.

Nooresh Merani: Okay. So you've stuck to the style of...

Shyam Sekhar: Yeah, it doesn't change actually. Who you are doesn't change too much. You only try to control yourself a little bit, but you can't do it too much. It comes back. You only control your behaviour to some extent. It's only a minor calibration, but your personality doesn't change drastically. I don't think it does.

Manish Dhawan: And so taking this question to the cyclical basket, how do you diversify there? Are you concentrated in your cyclical bets as well?

Shyam Sekhar: Always! I have concentrated. I concentrate the bet, I concentrate on the bet and it is intense. And when I am out of it, I forget about it.

Nooresh Merani: So how important is forgetting about it?

Shyam Sekhar: Because somebody has to make more money after yourself. Yeah, that will also happen. That has to happen. In fact, you start getting interested in something else.

Nooresh Merani: Because in cyclical, you may get tempted on the upside when somebody else makes a lot more money. And on the way down, because you research so much about, you may call it, this is getting undervalued. So how do you avoid that?

Shyam Sekhar: Multiple cycles I have made that mistake on the downside starting early. I slow myself down nowadays. Experience teaches you to be a little lazy also sometimes.

Nooresh Merani: So can you give an example from the previous cycles where you made a similar mistake of starting up early?

Shyam Sekhar: You make it multiple times in the steel. This mistake would have happened multiple times in the steel and sugar. In two cycles you would have gone wrong and in the third cycle, we hit the jackpot.

Manish Dhawan: Tell the audience a little more about this, Shyam, because there are nuances to it. Let's just say you're playing this any commodity cycle. Let's say sugar for that matter or steel. And you are not able to time it and you're early. Now in this situation, what would you do? Are you not looking at M2M at all and just holding on?

Shyam Sekhar: Yeah, you'll have to wait because that's the price you pay. That cycle teaches you patience. It teaches you pain so that you remember it the next time.

Manish Dhawan: And you're not diversified either. So there'll be like 3-4 stocks and you're totally concentrated on that cycle and you endure that pain.

Shyam Sekhar: Yes, it happened before. They will be 20-30% of the portfolio.

Nooresh Merani: A lot of people consider that for cyclical investing, they actually are able to time it exactly. But what we've spoken to a lot of investors is, at times multi-year, multi-months period of pain after buying. So the whole trade, the investment plays out for how long? Let's consider you're playing a cyclical bet, you start on day one. When do you think you'll actually be out of that cycle? Say for example, you play steel-sugar. So what is your hypothesis when you start? How many years or months will it take to actually play out?

Shyam Sekhar: It's very difficult. Luckily in the last 4-5 years, we've had policy driving. So we've started thinking that cycles can be played very easily and that we are very unobstructed. Without understanding that it's a policy ecosystem that has helped us do this. Earlier it was 5 years, 7 years wait. And then you have weather patterns, global. Then you have the politicians coming and meddling to harm the investor interest, to make money somewhere else, maybe outside India. So all those factors are there. You have to have a very clear understanding of what is working for you. Now you have the other extreme where you are very gung-ho on the policy and you overplay the policy actually today. If you see all these sectors, we are overplaying the policy. For example, today's steel. India is going to increase its steel production significantly over the next decade. I mean, if you ask me, that's a given, right? But that doesn't mean you extend your investment hypothesis to say that you can jump and buy steel stocks. You have to buy them at the right valuation. Like you had them at very good valuations sometime last year. Despite the rally in the market, steel was not performing. That was a good time to pick up. Similarly, sugar you have your lulls. Today it's a very buoyant market. Again, you will get a lull sometime. So you need to actually catch these lulls and phases of pain and direction and get in.

Manish Dhawan: So what are the specific exit triggers for you in this commodity? Because I know you're not looking at price for your exit decision. What macro factors are you tracking to tell you that it's time to exit?

Shyam Sekhar: I'm a bit of a person who doesn't like crowds. So whenever the trade becomes crowded, I exit. I don't look at so much on the other factors. I feel that the crowd is a very good indication to sell. Too much crowd you must sell.

Manish Dhawan: And how would you know that?

Shyam Sekhar: Today it's easier? That's the only benefit of today's social media era. That's the sole benefit. Because it's so crowded, you can see hundreds of tweets, hundreds of WhatsApp and Telegram messages and people sending you screenshots, and big videos elaborately explaining the companies as if it's the only company that's buying for life. That kind of thing happens. That time you can sell. I don't think you should look at macro, EPS and all that. At the time you don't estimate the valuation. You just leave. That's it.

Nooresh Merani: So I remember a specific trade of your close investor. When he bought a forging company at the bottom of the cycle from an ex-institution and sold it to the same institution, 10x later. So does this happen to you in terms of there are sellers wanting to sell it to you in the upcycle?

Shyam Sekhar: So I don't have a broker who guides me to sell it. We don't have that. At least I don't have that.

Nooresh Merani: No, no, I'm saying, people seeing your position asking you to sell it right at the top of the cycle.

Shyam Sekhar: 100%. You can offer and they will take. You can offer it anonymously to any broker and they will take it. You don't have to talk to a potential buyer. I have never done that. See we are still outsiders in this system. Understand this. After 33 years, I am a complete outsider in the financial system. Because you are grown as an investor, it doesn't mean that you have influence. In fact, you are worst off as you grow because more people hesitate to talk to you. Actually, it works the other way around. I don't know from the outside, it may look like something else. We cannot go and show our interest that we want to buy anything, people want to play you. If you want to sell anything also you cannot say that you want to sell, people want to play with you. Because we are outsiders. Never forget the word 'Outsiders'.

Nooresh Merani: So, you started in the 90s and that was a period of time. Not many people are not into the investment field. So when did you actually turn full-time towards equities? And what was the perception of relatives, and friends, across?

Shyam Sekhar: Even today I don't work full-time on my portfolio. I am today working for small investors. That's what I am doing. Because 2012 I decided to give up my manufacturing. So after that, it took me 4-5 years to actually transition out. Only in 2017-18, I am completely out of it. So what I did was I started a small advisory activity in mutual funds. We started studying funds. Today we have a very good grasp of the mutual fund ecosystem. I can confidently say that we know their numbers better than they know them. But it's very very dangerous and volatile to discuss their investments in the public domain. We don't want to do that. So I started these activities and we have been working. So that keeps me busy most of the time. I don't spend so much time on my personal investing.

Nooresh Merani: I remember there is a story also starting that advisory business. So if you can tell something about it, how it was.

Shyam Sekhar: In 2008, each of my friends who are in the system, whom we have all grown as analysts together, are all now fund managers. In 2008, they are raising each billion dollar in infra. Right? So I was far more hot-blooded in 2008 than I am today. So I asked them, you are taking money from people knowing fully well they will lose? So one of them said what is stopping you from playing the other side and stopping them from losing. Then I came back and I started studying the entire ecosystem of mutual funds from a fresh perspective, a clean slate to see whether there is something good in the mutual fund

ecosystem also. Actually, I found a lot of good things. But understand one thing, where you should not invest, there are billion of dollars sitting in a product. Where you should invest there are sub hundred crores AUM. So as an investor, it was very easy to see that contradiction. That is how I started getting curious about mutual funds. Then I said why not measure and see which are the guys who are genuinely good through a framework? Then we started identifying which are the good funds and more importantly, we started identifying which are the bad funds. The guys who are not going to make money for the investor. We know very clearly. But we cannot tell that. And we were waiting. Then after the abolition of the entry load, that day I decided that morning over breakfast after seeing the papers I decided to do something formally in that space. That's how we got into that. I didn't start a PMS and all that. Actually, at that time I had not done this with some idea of AUM. All those things didn't come on my radar itself. We wanted to prove a point. So that's why we started that and that's what we were doing. But not many people understood that. People thought we were coming to take keys from them, and make money out of them. In India, everybody thinks that everything is about making pennies. They think that those who make pennies are getting very rich. And that attitude remains to this day in the platform era. Where people don't mind making a lousy choice and losing 25% on the platform. than incurring a very small insurance cost and getting good advice so that they are safe. But that has not changed. But this was my thought process. I didn't think about building a big business and all that. I was just enjoying what I did because in my mind I wanted to be busy and I didn't want to be a full-time investor. I still don't.

Nooresh Merani: So the next challenge was when you started PMS?

Shyam Sekhar: PMS, we started out of a clearly identified need. That is, I understood that RIA is not going to survive very clearly. Because first, if you are a professional doctor, lawyer, chartered accountant, or anyone, that profession should be respected by all stakeholders. What I saw was that nobody, and I will not name the stakeholders who maximum disrespected. I found that nobody respected the profession and expected the profession to be successful. I don't know how it would be successful. I saw that writing on the wall. So that is when I decided that we need a better way of operating. And then the second thing I found was the number of investors, maybe about 10-15% of investors at that time. Now that number is down to a very small number because I don't take such investors on. You tell them what to do, they will not do what you tell them to do. And then they will come and tell me my returns are poor, you are responsible. Why would a good professional waste time with such a person? Why would somebody who is respecting his work, want to work with such a person? The irony is, people think that I am paying you so you have to do what I tell you. Who wants that money? So all these things stuck around and I decided that we will manage. If people trust and they give us money, we will do a good job. We will be accountable, fully. Let's not be accountable for his idiosyncrasy. So that is what made me shift to the PMS.

Manish Dhawan: But Shyam, aren't you spreading yourself too thin because now at present you are doing both?

Shyam Sekhar: No, on September 30th I stopped RIA almost completely. I have maybe a low double-digit number of clients in RIA. That is because of circumstances, I need to service them for relationships and a

few things. No, absolutely zero RIA. I mean it's not a growth activity, it's not something which takes too much of our time, I will put it that way.

Nooresh Merani: The numbers are dwindling for RIA in any which way?

Shyam Sekhar: I don't even know, Nooresh. Honestly, I have completely switched off. Because once there was no respect in that profession, I lost interest. It's very simple. See, there is an assumption in India that good professionals are only after money. As long as you have the assumption, you will not even identify who is a good professional, honestly.

Manish Dhawan: Yeah, but I am not even sure what's wrong with earning decent money. I mean if you are providing a good service, you should be charging money.

Shyam Sekhar: I agree. In the end, for any investor I have had relationships with, I measure the performance before I go on to a discussion with them in the room. I never go without measurement. I don't go for stupid conversations with the investor. Never! It's a habit. Even if it is a 1000 rupee SIP, I will see the sheet and then only see the person's face.

Manish Dhawan: So how do you handle this behaviour gap in the mutual fund domain? There can be a similar thing that you mentioned, Shyam. like your clients don't listen to the advice that you are giving. How do you handle that gap?

Shyam Sekhar: I get rid of such clients. I parachute out. At the earliest opportunity, if they say they are going, I will let them go. I will never try to retain. It's not worth it, Manish. Your health will be spoiled. We are here to do service. We are like nurses and doctors. Even if you are a specialist doctor and they don't even treat you like a nurse, Why should you do that work? I don't understand.

Nooresh Merani: So in that sense, say you've seen over the last this many years, you've been an investor. You've been somebody who's an entrepreneur. You've been now on the unlisted side also. Which is the most challenging period you had as an individual in whichever cycle or whichever profession? Which was the most challenging period?

Shyam Sekhar: For me personally, the most challenging was 2020-2021. Because in my mind, I have not done this thought about what will happen if I am not around. I have not thought about that. And that did not get answered very easily. It required a lot of work. So that was a very difficult phase. And health is an issue which is a black box. I'm never comfortable with health-related worries, maybe due to my own past learnings in life and family and other things. So health is something which definitely doesn't give me comfort if it's a serious concern. That way the Covid phase was the worst. I was not thinking about investing at all. And I felt very very crazy about investing in that period. And I'm surprised how people are able to focus on making money at that time. My mind didn't lend itself to that honestly. You can call it incompetence or whatever. But it didn't lend to that.

Manish Dhawan: Interesting that you mentioned that, Shyam. I've spoken with who's who and everybody echoes precisely this point. Not many people were able to buy this dip. Because when you see despair and death around, money is the last thing on your mind.

Shyam Sekhar: No, I bought and all that. Something happened. All those things are there. But it was not a phase where you were having your heart and soul. Because we were trying to protect the client at that time. That was the primary. So handling their worries, handling their concerns, took 70-80%. Then my own concerns after that residual. Where do you have time to become aggressive? You are having responsibilities. You don't want people to lose money. They would tell, oh I went to these people, they didn't do a good job. And people didn't understand that phase. So many people didn't understand. They were dealing with all their fears, concerns and then our own fears. So it was not an easy phase that one year. But in 2021 I stabilized and then in 2022, actually, the last year was better for me than probably what the Covid year was for many people. I am myself surprised by that.

Nooresh Merani: So interesting is the case about 2020 that everyone who had spent a lot more years in the market was defensive but the whole country in terms of getting into the markets... It could never have been a beautiful period in terms of where the stock prices are at lower valuations and participation has increased. I think even in my small period of time, I have never seen that participation come at the bottom of the cycle. We have seen participation at the top of the cycle across the years or maybe across history. But this was very interesting. So, you would have got a lot of flooding of clients coming up suddenly. How did you balance it out? You have confusion in your mind? These are all the problems which you understand. And what do we do about these clients who just want to get in?

Shyam Sekhar: No, we have not dealt with such clients in 2020-21. They have all gone on their own probably, I assume. 2020-21 we have not done. We have only maintained to whom we have already signed up. We have taken care of them. That's all. No new things thing. It's only 2021-22 the new people started coming in. Because they saw how we had weathered 2021. That was the real advertisement for us for how we managed 2021. Then in 2021-22, we had a lot of signups. And in 2022-23, it was increasingly more and it's increasing again. The gradient is on there up. But we didn't go out to get business or we didn't tell people to come and we'll do this for you. We were not paying any of that actually. We were only attending during COVID to the people whom we had already committed to work and to those people. New was very low in 2020-21.

Manish Dhawan: So Shyam, you said 2022 was a great year for you guys. Was that the Fisher-style investments or the other ones?

Shyam Sekhar: Yes. Also, some of the investments which we made earlier on betting on manufacturing, and infra, all started firing that year. And they're still continuing to be quite buoyant actually. So the Fisher style has worked very well. And I think it worked much better once the froth started settling. Because earlier you had all these guys who are supplying medicines for COVID making 20x and all that. We were not part of it. In fact, we felt that it will not sustain which is true also. But it's a very difficult thing to say at that time. And probably we should have said.

Nooresh Merani: The moment you said and they went up another 3x.

Shyam Sekhar: No, actually not. We waited and only said. After we said, not that much.

Nooresh Merani: So a lot of people were early disbelievers and they had to face a lot of that.

Shyam Sekhar: Yea, quite late to ring that bell. So I didn't ring that bell early luckily. Because then it will become even more difficult. Another side will get triggered. No. That was quite late to that. And we knew that what was happening was too much froth. And it has played out also. People are still buying the dip and getting trapped in the lower top and lower bottom. Nooresh knows it better than anybody else.

Nooresh Merani: And the participation keeps increasing.

Shyam Sekhar: It's increasing now. So even now, I don't tell anything actually. I don't even comment about it. Let them worship their gurus and go to heaven with them. They will all get 'Jannat' in pharma.

Nooresh Merani: So this is where it gets interesting. Because we had discussions wherein you said that you are also open to actually trade in and trade out of companies which you understand. Even though it is not as huge a move as you want, just because something is just too situational, you have done that. So is it that you have a core and a satellite portfolio? Explain to us how you do that.

Shyam Sekhar: It's definitely reducing. I will tell you why. Because the amount of capital I commit to all this is not more than 10-20% of my total net worth. Yeah, it takes a lot of your time. Other things are actually in cruise mode. You don't do much actually. So your best-performing stocks you have not done anything for 5 years. And they are giving you huge returns. That's what happened to me between 2010 and 2018. So the same thing is slowly again showing up between 18 and 23 also. And I expect it to increase over the next 2-3 years. Because only 3 years or 4 years is the average holding that has happened. I believe in the next 2-3 years it could be significantly better. Because nothing has changed direction. Everything is going in the same direction. So 70-80% will be only in that direction. There is not much to do on that score. It's only with this little bit of action we have in the 20-30% that we keep.

Nooresh Merani: So you can explain to us how you used to do it in the past. We will learn from that, running a satellite portfolio.

Shyam Sekhar: You know what you cannot hold for 5-7 years. You know that very well. Though you feel it could go up and all that. It all happens very fast. Your best idea is that you should have made the money within 12-18 months or 24 months, not 7 years. You are able to sense it. That's what you call momentum investing. You are able to sense it. So in the satellite portfolio, you will have all those things where those things will come from.

Manish Dhawan: No, what Nooresh is probably asking is when you initially started. This 70%-30% must have been 30%-70%. Is it?

Shyam Sekhar: In 2010, yes. It changed. I have not allowed it to go back the other way luckily. In 2010, 30 has become 80. You are right. So once it becomes, it guides you in a certain way. Destiny leads you to many things. It's not your genius. So events take you in a certain direction. Your portfolio teaches you. You are not controlling it. It controls you after a stage.

Nooresh Merani: So tell us about 2010-2018 because that is when you hit a lot of home runs in a lot of companies, sectors. As you might be out of some of them, you can actually take us through a case.

Shyam Sekhar: A number of cases actually. We were able to buy multiple building material companies at the bottom of 2010, 2011, and 2012. We went on buying. And they all went up multiple times, 20-30 times. Then we had shares in Hatsun Agro. We bought between 100 and 400 crores. So that was another one. There are multiple companies. So we got rid of a lot of cyclical. Actually, my portfolio by 2013 had 0 cyclical. I went back into cyclical when I sold these companies. Understand that. I went into sugar after selling these companies. I got out of sugar once. Then again got into sugar and again got out of sugar. Now I am again back to the 2010, 2011, 2012, and 2013 phases of investing. That's what I am trying to rebuild now.

Nooresh Merani: I remember a lot of these companies went through 2-3 years of not being recognized even though things were going right. Earnings were there. So how would you actually create that patience and build a lot more? One is you own a position where you are convinced. that this is that much part of the portfolio. How do you scale up even though the market is not recognizing what you are seeing?

Shyam Sekhar: Luckily, the macro theme of India is building homes, getting better infrastructure. When you go out of the city to suburban areas and see how people are rich or living. It is so obvious that it was not as sustainable. I was also moving a lot at that time, going out, meeting people, seeing agriculture, seeing how the rural rich were and seeing how the cities were expanding, and talking to multiple industries. So all that kept me busy and always convinced. I didn't talk to investment world people to buy these ideas. And I didn't get reinforcement from people within the investment industry. I never did that. In fact, anyway, I don't think anyone is interested in talking to me except those few friends I have had for the last 20-30 years.

Nooresh Merani: So in a way of recognizing, the market price is also recognizing. It did not be just investors, right? So if you see earnings go up 100% from the time you bought and the stock doesn't go up 15% also, that is also not recognised by the market.

Shyam Sekhar: For us, the market always recognized with one or two quarter lag. So it helped. The lag was not so bad. If it happens for years together, I can understand what you are saying. But it was not so bad. Actually, from 2012 onwards once Mr Chidambaram came back as finance minister and started

mending the economy. Directionally we had 5-6 good years of inflation control and things like that which all helped the businesses where we were invested in. So we were able to hold on. I don't think we faced so much difficulty. The difficulty came only after the valuations went crazy in 2018. 2018 was difficult. I knew that you have to save yourself in 2018. Once 2017 ended in 2018, we knew it. We were able to save our clients. We sold all their mid-cap funds before the budget. Perfect timing! But it was not easy. Because you have bought big positions in companies you can't sell actually. And we don't have the clout to sell. I don't even know who is the institutional broker who can sell the lot. I mean we have grown and not prepared yet. It's as simple as that.

Manish Dhawan: You have to come on TV to sell.

Shyam Sekhar: No, I didn't come. That was again something, I found continuously violating my freedom. Because they tell you, you come on TV, we won't ask you questions on the stock. And after 5 minutes, they start asking. I felt that it was very embarrassing and I am not a person who wants to be personally rude to anyone. I may have strong opinions. But I don't like to be personally rude to somebody on TV and all that. It's not my style. So I withdrew. In fact, you will be surprised. Since I started my PMS, I have not made a single television appearance. Zero! And even before that, I would have had 3 or 4 in a year which I felt was unnecessary. So I stopped all that. We don't know how to sell because you don't know who is the buyer. Otherwise, you have to sell everyday. We are busy working for the client. So you are the last priority like a doctor is forgetting to take his own medicines.

Nooresh Merani: Yeah like we say doctors are the worst patients.

Shyam Sekhar: Yeah, so it happened. 2018 it happened. And then you had 2020. So after that in 2020, I said okay let me go back to my 2010-2012 phase. I consciously said for 2 years, I will reset myself back to that. That's what will work for what I am doing. Because you should not sell. You should hold for 5-7 years and you cannot do all this. If there is a need to change even once in 2-3 years it's difficult.

Nooresh Merani: As a professional in these small caps, have you ever met the management? Or do you think about management meetings or attending AGMs? What is your preferred way of doing scuttlebutt?

Shyam Sekhar: In the '90s, I learnt all my investing doing that, going to AGMs and meeting management. Otherwise, management won't meet us on those days. Even now, I find a very peculiar thing which I am going to share with you. I may own 4%, 3% or 2% of a company. Management conducts an investor meeting without inviting us or even sending an invitation. This happened in multiple companies. Then management takes into the confidence of some other investors whom they think are influential. And then they tell them things in private. I am very uncomfortable about all these things. I sell and exit such companies even after hearing the information they said. I don't want to work with these kind of companies. This happens all the time. So I have simplified it in such a way that today the structure is like this. My analysts attend the con-calls. I personally don't attend any of them. They send me the update. And then if I really need to listen to a con-call, I read the transcript. It's easier to read than to listen. That's it. Very, very few management I have met. Handful. It's difficult to get meetings also, let me say

that. Unless you are from a particular geography, it is difficult to get meetings with Indian management even today.

Manish Dhawan: Okay. I thought we have gone past those days.

Shyam Sekhar: No, it's not so. It's a misconception.

Nooresh Merani: The whole institutional industry works on managing the meeting. So let's not go there.

Shyam Sekhar: No, no. It's fine. I Accepted that.

Nooresh Merani: But the point is that AGM is where we've seen a lot of investors. Initially, I think all of you older investors used to attend AGMs where at least the management is supposed to answer a few questions.

Shyam Sekhar: That is how we learn. Correct.

Manish Dhawan: Shyam, tell us something about your asset allocation between real estate, equity and debt.

Shyam Sekhar: I don't have much debt. I'm not a believer in debt that much. I have public market investments, private market investments and real estate. So you have to understand one thing. My family before I came to stock market had 5% -10% in the business, and 90% in real estate. I didn't flip it the other way around to that extreme. But over 28 years, We had reversed it by 2018 to a significant extreme where the equity was very high and real estate was very low. Over the last 2-3 years, I have again reversed it a little bit. So real estate is about 35-40%.

Manish Dhawan: So you've allocated more to real estate in the last 3 years?

Shyam Sekhar: Yeah, 40% is because of today's valuation but I would have allocated 25% or something.

Nooresh Merani: I think I remember another case wherein you bought your holiday home with a particular stock investment. I think you should take us through that trade as well as the decision to do that.

Shyam Sekhar: See, when I was having a capital of 10 lakhs, I went with two of my friends and we sat in a holiday timeshare resort by the lake. We went to ideate. On those days we would go, sit for 3-4 days and discuss ideas freely. So we get all the time, morning, evening, night, like we meet in various places. The same thing was for those days in 1993. So that time, one day while we were walking, my friend and I had this conversation that in this crescent, it will be nice to own a house. And we kept on discussing that joke for nearly 20 years. Then sometime in 2015, I went to visit a family friend who was also my client. One afternoon on a Sunday, while I was leaving he said very softly, I have this thing. I have one project. I

want one person to buy a property. I asked where is this place? He gave me the location. It was in that crescent, exactly. So I said if you don't mistake me, can I buy that property? I didn't ask the price. I didn't ask when the money had to be given. I didn't ask whether you could get a loan on it. None of it. Because it was in the crescent. He said if you are coming, that will be great. And I have very high personal regard for that person. He is very close to our family. So the decision was made like this. It's not a calculated decision or anything like that. Then I had to arrange the money. It was very very high at that point in time. So I saw my portfolio and said this is the most expensive stock and I sold it. And I paid for it. No loan, nothing. I think you made a lot of money on that stock also. Yeah, it was rich. When I sold it, it was rich. Today also after 8 years, it is still 25% above the price I sold. That's all. It was very rich even at that time. So I think that destiny made me do that asset switch. It's not a... So similarly in 2020 also, I got another property like that. Similar. Very good seller. Casual conversation. And that's how it is. It's not something where you look. When something comes, you act. You don't delay.

Nooresh Merani: This is where there are a lot of problems with the way new fintweet, influencers say. You should not buy properties. You should not do this. And you end up in old age with a lot of money and nothing to do. And this is what we have seen with a lot of investors because you gained so much in life, this little asset allocation change will not change your life. And anyway, most of you have continued to be on the same lifestyle.

Shyam Sekhar: Yes, I don't understand how somebody who has got so many strong opinions will first live life. I have seen my father tell me that in life you must buy a Mercedes. So when he got the money, enough money to buy the Mercedes, I asked him, why don't you buy the Mercedes? He said, "I don't need it now." Right? Yeah, he said, now I don't need it. So I realised that when he needed it, he didn't have the money. And when he had the money, he didn't need it. Simple. It's what I learned from my father's life. Most of my learnings are from my grandfather, my father. It's only from them. Because they work much harder than I did in much more difficult circumstances. And they had headwinds all their life. We are all people who are products of economic tailwinds, printing money and all sorts of economic tailwinds. Liberalization, then you are a beneficiary of digitization. So many things are there. So I realized that whatever comes your way if it comes early, it gives you the opportunity to live. And telling people not to live their lives, it's their yearning. It's not wisdom. First of all, you should not listen to such people. But you have millions of followers for such people. And that is the order of the day and I accept it. I'm not in any rat race with any of them. I enjoy my life. They are in misery. So fine. That's how it is.

Nooresh Merani: So going into that same part you've learned from your father's and grandfather's, I think you have a quadtree of Chennai-based investors, which you have been, I think maybe for multiple decades now, where you sit and discuss. So how has it been in terms of learning? How important is it to have that core group of people, where you can actually be open to talking and taking criticism, etc? And how necessary also is it?

Shyam Sekhar: It works very well when it is the early days of wealth creation. As the wealth creation goes up, it stops working. So the profile of your own group, you will have to form a group with people who are in the early days of wealth creation. You should go and have the humility to mix with people

who are very, very young, who are all ambitious, learning, and talk to them, listen to them, and learn what their thought process is. While the old cycles also exist, I believe that the newer cycles are more important like the 22-year-old, the 23-year-old, and the 27-year-old. They are the new influential circles in my life.

Manish Dhawan: But why would they hang out with such an old man?

Shyam Sekhar: You must ask them. I have no clue.

Nooresh Merani: So initially when you used to discuss with all, how did it help in terms of a big bad year? Did it help a lot more? Or, it was a problem in terms of biases between each other?

Shyam Sekhar: It is a big problem of biases between each other, honestly. Because somebody who has been wrong will take it personally. And somebody who has been right will also take it personally. And you have to engage these two sections. It's difficult. It's very tiring after age. You don't want to. You would rather engage with young people who think you are an old man than with old people who think they are young.

Manish Dhawan: Shyam, 'we are via negative' is a phrase that means you learn much more from your failures than your successes. Can you walk us through some of your failures and what did the postmortem reveal to you? And also while you read the topic, please help us understand how do you do an unbiased postmortem of a mistake.

Shyam Sekhar: I will give you one and that is enough of a mistake. See, what we think in our mind is larger institutional investors when they make bigger bets of money, have better due diligence, have better boardroom monitoring, have better independent directors and mechanisms to steer businesses out of trouble. This is the thinking that we are all grown up. If we blindly bet on that thinking without our own individual processes to validate whether they are doing the right thing, we just go behind them thinking that he is very strong, so he will protect us, and then you will be sunk. Because he fails, we all fail. I think that has been the biggest learning of my career. I think that I have overestimated private equity investors, especially large firms, and I think I took them for granted that they will have good processes. It didn't work. It worked very very badly. So once I understood that, then I had myself become a private investor and built my own ecosystem of people and friends who we collaborate with. That way we are much better on top of situations today than we were in 4-5 years ago. So that was the biggest learning. So after that, I don't take any big investor very seriously because today he will be an investor, and tomorrow he will say I am a seller. So we are not like that. Even with much smaller positions, we are looking at 5-7 years. And we cannot afford to take the kind of failures they take because of their fickle nature and their lack of application. That has been my biggest learning. And I hold only myself responsible. I have thought that private equity is so robust.

Nooresh Merani: So any particular investment where you thought you were gung-ho and it fell right on your face or any theme which you were way too early.

Shyam Sekhar: I think that has also happened. Even now in 2018, it happened in tourism and travel. 2018-2019 we are becoming gung-ho. 2020 you get Covid. And then it explodes on your face. It happened, as late as 2020 it happened. Tourism and travel were one such thing. But see, I am also quite quick in spotting opportunities even in that crisis. Like for example, we were invested in travel and tourism. I raised my bet in 2020 at the bottom in both private and public market investments. The public market investments have done modestly. One has done very well, one has done modestly. But the private market investment has done exceptionally well. So these things happen. We learn. Company is going to zero and then you are putting more money on it. It's not easy. So in 2018, I was thinking that there is this private equity investor who is a smarter guy, following whom I can make money. Within two years, I am myself a private market investor, putting my money where my mouth is. That is the transition. It's easy to see the failure. But the failure and the lesson happened within two years for me which I count as a blessing.

Manish Dhawan: Yeah, so in your travel example, I don't think it would fit in the failure list because it's an unfolding story and Corona happened which was like from the left flank and you added up. So this is an unfolding thing. It wouldn't really club as a failure.

Shyam Sekhar: Manish, you are assuming that solvency would maintain in such a situation. The company could have gone insolvent. We have recalculated at that point, shown conviction at a point when there was no conviction anywhere around you. We have failed and again become successful. Circumstances may be the reason but business failure happened because of circumstance. I can't blame the circumstances. It's a real thing running a company. If it goes like that, you need to work your way back and you need to put money on the table again.

Nooresh Merani: So any case where actually the things did not play out at all where you thought X but happened Y. See, in this case, it was external. Anything you remember from the past? Because you have played a lot of themes, I think a lot of your small-cap investments have always been thematic rather than any other way to look at it. All have been thematic whether it was home building materials or any growth companies you have taken. So anything where it went opposite to what you thought. So you thought the theme will play out and it did not play out at all.

Shyam Sekhar: See, I think we have hardly got wrong. I mean too early has been multiple times. Many things could have happened like that where we would have got in too early and then waited 4-5 years and then we got out and then 3-4 years later it plays out. So this is that.

Nooresh Merani: So any particular thing? That is how we will get to know some sector. How thematic can take much more than you think?

Shyam Sekhar: It happened even in TTK prestige where we were so early. I got in at a valuation of 21 crores market cap. Understand that. Well, I think it was early 2000 or late 90s. I forgot the years exactly. I am not sure if it was 99 or 2000. Somewhere around that period. Maybe in the late 90s. It is not 2000. It

is the late 90s. So that happens. It has happened multiple times. We were very early to that party. It took off in 2007, 8-10 years later. So we made money but not the money which we should have made. So that is one case. Similarly, we sold out of these amine stocks at a very good valuation. Actually, we sold at a very good valuation. After that also, I think they went to 2X or something. Now it is below even what we sold probably. I remember one of the companies. I have no regrets. I am not a froth merchant. I am very good.

Nooresh Merani: I remember one of these companies. The first time I met you back in the day, this was one thing in which company we discussed and that was a company which had a little lower respect in the markets because of diversification.

Shyam Sekhar: I bought it for 40 rupees and sold it only as a multibagger. I should not regret that I need to take the maximum froth out of it. See, once you decide to be a froth merchant, one day the froth will run down and get to you. So that is something which I never regretted. But you will have to deal with the temporary phase where you sell and it goes up.

Nooresh Merani: But how do you accept a lot of these small companies, right? We have something which you call the company is great but these are the black areas like we call 'Masala Thora Zada', 'Namak Zada'. What is your factor in digesting? What are things you can digest and what you cannot digest in a small company?

Shyam Sekhar: For example, there could be one division which they should not be. I will give you a classic example. There will be one division in a company which they should not be doing at all. I would think that it is a promoter's indulgence. What if he has got a house? Now when you take a very very large company, today which is 30-40 thousand crores. When it was 3-4 thousand crores, the promoter bought a house in my city for 100 crores. It has still been a multi-bagger, no? So, okay, this is that fellow's indulgence. Despite this, is this business good or not? I just take that completely out of the equation whereas people obsess over it. I will take it as zero and say this is zero. It is not going to hurt. If it doesn't hurt, it doesn't pinch the company's cash flows, just ignore it. Think it is that fellow's stupidity. Look at the good part and see what you pay for the good part. This is how I look at it.

Nooresh Merani: And what you cannot digest in a small cap? Or say you made an investment and some years down the line they do something. What you cannot digest?

Shyam Sekhar: I cannot digest promoters playing the market, first thing. And I cannot digest investors playing the promoter. These are the only two things. Any other business-related thing, economy-related thing, I can digest.

Nooresh Merani: When you go into small caps, this keeps on happening over the years, right?

Shyam Sekhar: We live despite that.

Nooresh Merani: So, now today when you look at it in terms of small caps, I know a lot of companies where you have kept holding for many many years and the things have not played out. So, how do you question yourself, your own thesis? I had thought this, how long should I wait or how long should I keep remaining invested in the theme or you just say because I thought I will stay?

Shyam Sekhar: Sometimes once I have stayed very long 7-8 years when I get something better, I say that maybe destiny is bringing the other one before me so that I move a little bit out of this and that's how I move. There are many themes which are policy related. For example, I did not expect the fertilizer theme to work so much but expected the drinking water theme to work better. Okay, the market did the reverse. The management of all these water companies is also to blame. Tata merged into TISCO, somebody else did something else. So, now the whole theme is at a very mature stage domestically. We have to see whether international business will come to them. I have already spent 7-8 years. Why should I spend another 5 years? If something else comes, I will move to that, as simple as that. You have overstayed already and then you are going to stay longer. I look at my tenure. I don't have too much time to do things, right?

Manish Dhawan: Interesting! In fact, isn't the opposite true because lot of times you can suffer from sunk cost fallacy. Now that I have spent 7 long years in it, maybe its time is about to come. I should stay longer.

Shyam Sekhar: No, at that point I see what the management is doing to give me comfort. 'Give me' doesn't mean me personally, give all of us comfort. How is that? Have they improved their public communication over the last 3-4 years? Are they giving clarity? Are they saying my competitor will know what I am doing? You know that kind of nonsense which they talk to mislead shareholders. So, I look at that and where I find that they are not giving me even a fair opportunity to evaluate them I get out. Because I have trusted them for so many years and they are still not giving public information. Let them at least do a con-call or something and tell everyone. If they are not even doing that I feel that I am just living on hope. I don't do that. Once I feel that they are not doing justice, I will get out. You can argue that you could have done this long ago. We are betting on a theme, a business and stuff like that. Finally, when the management is led down, the team or the business doesn't matter.

Nooresh Merani: So, essentially when we go through this discussion, we realize most of your investments are of 5-8 years. It's almost like you are doing private equity investing in the listed space in the small-cap.

Shyam Sekhar: That is what gave me returns. Honestly, that is what gave me returns. I have not been successful in making fast money. And whenever I tried that, I would have probably failed. So, I don't try that at all.

Manish Dhawan: This is very interesting Shyam that you have mentioned that. Because as an outsider, when I read the book and also listened to your conversations, my impression was the exact opposite. I thought you made the majority of your money in the cyclical.

Shyam Sekhar: No, no, no, I make some money in cyclical which I put in these kinds of companies and make money here.

Nooresh Merani: Is it because cyclical and all those take a lot more time more often compared to these investments? Because once made you are not making a lot of decisions.

Shyam Sekhar: No, I think this misconception about cyclical is because my name appeared in the shareholding patterns of cyclicals. Whether it doesn't appear in the shareholding patterns of other companies. So, people think that I am a cyclical investor which is not true at all. And some TV fellow will say that this person is a contrarian cyclical. They will use some adjectives for which I am not responsible but they stick on, what to do?

Nooresh Merani: So, going back to say you have gone into private equity investing also, right? How has it been? Because I think it is only the last 5 years or last 3-4 years where you participated a lot. So, how can you change thinking over there like being a listed equity guy, mutual funds, small caps? This is the last thing which was left, I suppose.

Shyam Sekhar: So, there I am looking at how we can build a business over 8-10 years. My own manufacturing company is a family concern. In 1994, I wanted to exit the business personally. I wanted to leave the business. But circumstances didn't allow that. Though we had decided, it didn't happen. Do you know when it happened? It happened in 2018 finally. 2012 was phase 1, complete exit happened in 2018. Even if you take even 2012 as a yearly exit date, right? 1994 to 2012 is 18 years. I tell myself that today where I am investing, I will be out much earlier. And it will be run by people who are really charged to take the companies to a better place. So, my orientation has completely changed in these companies where we think like business owners and not like investors. So, we want to take those companies to a level in which they are publicly valued and where the price discovery happens every day, maybe in IPO or whatever. We are not looking at taking a company to a certain size and then flipping it to a bigger buyer. That is not our intention.

Nooresh Merani: So, the whole cycle is where you want to be invested.

Shyam Sekhar: Yes

Manish Dhawan: And Shyam, are you concentrated there as well in the unlisted spaces or are you diversified?

Shyam Sekhar: No, no, concentrated.

Nooresh Merani: This is one thing which we have noticed in all our stoic talks, we speak to investors and they say concentration. And then you go to the internet and they say you should diversify. The worst part is diversification because that starts at an early age. But 99% of all our conversations with investors tell

us to start concentrating. Let's say I am a new investor, how do you actually tell me, okay this is why you should concentrate?

Shyam Sekhar: See, it is not a strategy to concentrate, firstly. If you are able to raise your conviction to such a level, you concentrate. If your conviction is not at that level, don't concentrate. As simple as that. Simply saying that some other investor was successful in concentrating doesn't mean that I can concentrate.

Nooresh Merani: Let's consider that conviction is there, but how do you get the guts for it?

Shyam Sekhar: The guts always come when the valuations are in our favour. In 2018, I don't have the guts to concentrate. I diversify. In 2022, I am concentrating because 2021-22 gives you that opportunity.

Nooresh Merani: So, one of your rules is to concentrate when the times are bad.

Shyam Sekhar: Correct. And see, diversification happens only when the opportunity comes. Suppose I have money today and in the next one year, there is going to be a funding winter in private equity. If I get 7-8 opportunities and I am able to put in certain sums of money, it will become diversified. You are driven by where the opportunity comes from. If there are no opportunities and you only see a few opportunities which are very very attractively valued to you, there you concentrate. It's all driven by what you are comfortable with, what is your style and what is the market giving you as an opportunity.

Nooresh Merani: So, how much importance do you give to cash? do you hold cash? At any point in time do you shift? or do you leverage?

Shyam Sekhar: I do leverage at times. The idea is strong, I don't wait. Then I again have to de-leverage also after a period of time. Because what happens, the window you get to buy is only 6 months, 9 months. I can't wait for one stock to be sold to buy another stock. So, that happens. I am not so much of an investor who holds cash all the time. But having said that, I held some cash from 2006 to 2010, 4 years. That cash I deployed in 2010, 2011, 2012. That is also the reason why I was able to accelerate my investment performance in that decade. So, again I have to create that cash. I don't know where it's going to come from. I feel in this decade also, we will get that opportunity. So, that is something which I need to do now.

Nooresh Merani: When was the last time you leveraged a lot or how did you decide? When was the last time? You don't leverage a lot, I suppose but when was the last time you had to take that decision?

Shyam Sekhar: No, from 2013 to 2018 continuously, we were quite aggressive.

Nooresh Merani: So, you kept on buying 2010, 2011, 2012, 2013 and then you kept on holding also.

Shyam Sekhar: Yeah, because the value is also going up, you are able to add ideas. Only post 2018, we have been shrinking and again now if the economy supports, we will take the opportunity.

Manish Dhawan: And how do you handle drawdowns in leverage because leverage is a two way sword?

Shyam Sekhar: You must have such huge collateral. You must have maybe 6-8 times. If you have 8, you are comfortable. At least 6 times you should have.

Nooresh Merani: So, basically 20% on the portfolio is roughly the leverage. That's the max doing the reverse calculation. So, that becomes manageable all through.

Shyam Sekhar: That is the highest, that is very high actually. 10% is my number actually. Sometimes you will be on the other side because of the ideas. See, if you are right in a cycle and you take leverage, you can create huge sums of money and there are many investors. I don't want to name them because it will appear we are comparing with them. That's not the case. But I am saying that that is possible.

Nooresh Merani: You have been an outsider as you say. So, any of the outsiders you respect a lot which nobody knows about or even if they know about, they don't know how intensely they have helped or you got inspired.

Shyam Sekhar: See, our circle itself is people who are the same type. Some of the friends go on to become institutional investors. After that we don't talk to them. Many people in our circle, they grow to become very large investors. After that, we cannot talk to them. It's not easy to talk. So, again you will see new people who are coming in. So, it's a cycle. You move with newer and newer people. See, you and I didn't decide that we will have this. It just happened, right? Similarly, it happened so many things. Suppose I have a doubt, I suddenly need to ask you some opinion. Like, we ask so many people and learn from them what they are thinking and that's how it is. So, there are lots of people. India is full of people who are learning on their own and sometimes have very sharp assessments of companies without being in the inner circle of those companies. There are a lot of people who sit in the galleries and have a better view than people who are on the field.

Nooresh Merani: So, do you think it was an advantage that you guys were out of it in terms of the whole crowd who were chasing a lot of things and you were sitting on the outside and watching?

Shyam Sekhar: It's very helpful. I am very uncomfortable being in that crowd. For example, I would not be comfortable going and staying in a hotel and attending some 15-18 management meets in 3 days and all that kind. It's not my cup of tea. I can't do it. So, I am better off just sitting in one place and discussing with people and then suddenly something coming up and then we are getting into it and reading.

Nooresh Merani: One thing we have noticed over the years, you have become more candid on public media also. So, how have you been? So, at times people tell a lot of your tweets are cryptic. So, how much time does it go to make it cryptic and hide it on actual views?

Shyam Sekhar: To be frank, I think being candid is a mistake. I regret it. But I still have those bouts where I say some things. But I believe that I am slowly learning to not say. It doesn't help Nooresh. Everyone takes everything personally and I know people who are affected immediately will open an account and with one follower they will come and abuse you. You will know actually who these people are. So, it's not worth it. Who are we working for? Somebody who doesn't even appreciate what you are saying. You want to flag something. It's not against the person who is benefiting from it. It is aimed at the person who may be affected by it. That person also joins and is beneficiary and he starts abusing you. What's the point?

Manish Dhawan: Yeah, there is no upside to...

Shyam Sekhar: There is no upside. Only it's a loose, loose, completely downside. Why should we do it? Whereas in the non-social media era, you are appreciated for being frank and outspoken. That is what we had grown upon.

Manish Dhawan: In fact, before you joined us, Nooresh, and I were talking about this. This is something that we like about Shyam. He is one 'Vindaas' candid person. He speaks his mind, and calls spade a spade. But you are probably right that there are not many people who appreciate this nuance.

Shyam Sekhar: No, no. I will tell you one interesting thing. So, in the 1990s, there were certain personalities whose investing are not worth writing about. They have become very big stars in social media. So, now what they say runs contrary to what they did actually. We remember what they did actually. But the guys who follow them all think that they are God's gift to mankind. Right? I'd rather just let it be. Sometimes I used to point out that to remind them and all that. Then I realized it was not worth doing. So, I think the social media era is about projecting something about you that you are not actually. We have not done that ever actually. So, in fact, I have never discussed where I have been, you will be successful or told people that I am owning this, you please buy this or try to say that we can flip a coin and ideate something new. It doesn't work that way. We don't know when you will get the new idea. We don't know how long you have to wait. You don't know where you will go wrong. Many things are there. So, we are not trying to project some kind of infallibility. We accept that it's a very valuable world for us.

Nooresh Merani: So, a recent initiative we have seen is you have been creating YouTube videos more often and also to a focused audience. How did this come along?

Shyam Sekhar: I wanted to distract myself from the noise of Twitter and I wanted to say things in a more calmer and a composed way. So, I started doing in Tamil because here the thinking in the Tamil world is more hostile to good economics than in the rest of India. We are a developed state but we are not a state of developed economic minds. So, our thinking is very socialist and people who are earning lakhs of rupees in cognizance want cheap petrol, and cheap gas. That's the kind of thinking people have. So, if you let me talk to this audience, a difficult audience and a difficult place to interact. So, I started there. And over a period of time, I learned to say things in a more patient way that people are able to catch and

there is nothing cryptic also. So, I say it in very clean, simple language. Hopefully, I will do it in English also. Subsequently, I started in English also. I have a channel which has got about 10,000 followers, very slow. It's also like my investing only.

Nooresh Merani: Activity comes and burns.

Shyam Sekhar: It may come, it may not come, I don't know but I am just doing it to distract myself. One thing I learned after going to YouTube is I don't go to anybody's timeline on Twitter. Zero. Except for friends who will not mistake me for saying something. So, that way YouTube has helped me to stay away from anonymous people, stay away from all that negativity. It has helped.

Nooresh Merani: And you have been active on Chennai Investors Association also for a very long time.

Shyam Sekhar: No, it has grown significantly. It has outgrown all of us and that's a very happy thing to say also.

Nooresh Merani: So, you have been making investors more independent, learned. So, has it helped you also personally doing that?

Shyam Sekhar: Yes, I also do financial planning today. I set the target for myself to create a private portfolio in 2017 and achieved it in 2022. Now, I am setting myself a target to achieve a global stocks portfolio in the next 5 years of a similar size. I set myself a target to achieve a reality portfolio. I finished it. What I did for others, finally I learned to do for myself also. Earlier I was not doing all this. I have done a lot of those things. Now, I am thinking that over the next 3 years, I will build a micro small-cap portfolio also. One by one, slowly adding ideas. It will take 2-3 years for me because I don't want to rush. I want to wait out this phase of politics and all the uncertainties and hopefully, during that phase, I will be able to build. The capital will come from one of these cyclical where I make the money. I just set it aside and slowly again have fun. I enjoy my work more than the returns and all this math and only when I enjoyed I made better returns. That is also a corollary to it. I have not performed very well as an investor when I tried to perform very well as an investor. I have performed very well as an investor when I enjoyed my investing and whenever it became an obligation to perform, I neither enjoyed nor performed. So, I don't want that thought process to ever come again.

Manish Dhawan: This punchline can become a snippet for our podcast. Very well said.

Shyam Sekhar: It's a fact, whatever I am telling you is what we would speak in private and saying the same thing because there is nothing to hide. Because you are not worried about how much return you are making, how much you make more than others or anything like that. You want to be more rehearsed and more patient in your pursuit and you want to improve your craft. So, all these are connected, right? Only if you are all this you can improve your craft. And when you improve your craft, your returns also reflect it. It's an aesthetic that shows. So, it's continuous learning and a continuous process of personal change and improvement. At every stage, you have to become a better person in what you do. Not

necessarily a smarter person. You become a better person in what you do, then you go to a higher stage. And again you have to learn because at that stage what you were five years back is not enough. You are insufficient for your own needs actually. This happens. I have noticed that in my life and it's continuously happening. So, at that stage, you again learn and you become up to speed with what you need to be. Now only changes you are trying to be up to speed before itself because you know it's coming and you are managing other people's aspirations, their goals, their dreams. You should be even more prepared. So, that way last five years have been very good for me from 2018-2023. Because the level of preparation we are doing now is cultural and it's constant. We are continuously preparing. So, that is how we are able to do slightly better than what people expect. Otherwise, it would have been difficult. So, we all make this huge issue of outperforming, active, all these things. I think the quest for all these things is internal. It's within you. It's within your team. It's within your ecosystem. It's within your circle, not something outside. It's not something you project. If it happens inside, it will show up. Otherwise, it won't show up. And you have to continuously work to make it happen. I think it is possible if you enjoy it. Otherwise, you are not going to perform. If you see all these guys who made a grandstand of performance earlier, either as individual investors or as professional mutual fund managers or as PMS managers, once they grandstand, they stop enjoying what they do. It becomes one of those tasks. After a while, it becomes a misery answering. And then it's a downward spiral. I have already spent 33 years and generally, I have avoided that spiral most of the time. So, that has to continue for a long time. When you see today as we speak 99 and 96-year-old fiduciary investors talking to us, I think we are nowhere near. It's such a long period where people invest. So, we need to prepare ourselves for much longer periods of doing the same thing. Hopefully longer than what is expected of us and what we think we can do. It's a difficult thing. It's not easy. I acknowledge that. And once you do it for others as well as yourself, you must do it the same way for both.

Nooresh Merani: So, I'll have one question to end it up. A lot of people want to be full-time investors. And you are someone who has been investing full time only but has had multiple things which take away time. So, what do you suggest to people why they should be also building stuff apart from being purely an investor?

Shyam Sekhar: We all talk about multidisciplinary learning, how experiences help you become better at different things. If you have to get experience, then you have to work in different areas. Only when you work in different areas, you get different experiences of how things work, what will play out correctly, and what won't play out. How to anticipate the future? How to anticipate problems? All these things cannot come if you are a full-time investor. It will happen only if you do a lot of things. And when you do a lot of things, you learn and you learn to cross-fertilize your experiences also. And I think it is that cross-fertilization which gives you a lot of ideas. In fact, many of the things which have given me large sums of money happened because of that experience in another place leading to income in the stock market. So, you have to really pursue many things. I think having multiple interests and having a full-time anchored profession is very very important. Investing cannot be a profession. I am convinced about that. That's what I was taught and that's what I also constantly mention. Because I see a lot of people who think it is easy to make money in the stock market, therefore you can give up your profession to come to the stock market. I was stopped from thinking that on the day I came to the stock market and rightly so.

In 1992 also I was stopped from thinking that before Harshat Mehta. And I was encouraged to study equity and all these things structurally only so that I don't get carried away by the feeling that making money in the stock market is easy. So, I think that the full-time investor always starts thinking that he is smarter than those who run businesses, he is smarter than those who provide services, he is smarter than those who practice professions and that he can earn more money than everybody else. That belief itself is the most dangerous thing one can invite into one's life. If you should not invite that, you should not be a full-time investor.

Nooresh Merani: Interesting perspective, so people can actually think of how it is looked at multidisciplinary and not be just by reading, it has to be by actual experiences. Great! so any parting words you would like to have for us, we have gone through this cycle of a lot of people, those who have come into the markets thanks to covid, thanks to having the time. What would you say to those who are a 20-year-old, or 25-year-old, from your 30 years of experience? What they should be doing over the next 2-3 years? Suppose somebody has spent 1-5 years in the markets, very interested, what should they be doing over the next 3 years?

Shyam Sekhar: Firstly, I am convinced that their next 30 years are going to be better than my last 30. I am very convinced about that. So, being an investor is a great thing for them to pursue. They should invest and they should not be driven by recency. They should think beyond 5-10 years and do things which they can sustainably do for a very long period of time. So, invest in companies which you can sustainably own for 5 years at least. If you at 25 years are able to buy a company which you can sustainably own for the next 15 years, you are doing better than people like me. I think you should given the opportunity before you. The world is changing. India is changing at a rate faster than the world and India is catching up with the world. In that process, numerous new opportunities will unfold. So, use your age, your courage, your adventurous spirit to identify these opportunities to understand them better, to grow your conviction sensibly in them and to pursue them with your money. Then your next 10-20 years will be way better than the last 3 decades of liberalisation. I think the best is definitely before you and you should be enjoying the experience of being an investor and also capitalising on the opportunity. Make it fun, that's all I would say.

Nooresh Merani: That's a great way to end it. Make it fun and enjoy your investment.

Manish Dhawan: On that note, Shyam, I would like to thank you for taking out the time and being so candid, honest and educational. This was wonderful. I personally had a great time.

Shyam Sekhar: Thank you Manish and Nooresh. It's always a pleasure.

Nooresh Merani: Same always. It's always fun to talk with you.

Shyam Sekhar: Thank you so much. Cheers.