InvestorInsights: Kuntal Shah

Kuntal Shah is one of the founding partners of SageOne Investment Advisors and has an opportunistic inclination towards value-oriented and risk-controlled approach to investments. He has been an extremely successful investor over the past two decades and his success has come from exploiting the inefficiencies inherent in the markets.

Kuntal has in-depth understanding of value investing with focus on risk identification and mitigation, emerging trends and opportunities in key growth sectors in India, taxation and accounting. He also loves to teach on these subjects and in the past has lectured at UTI Institute of Capital Markets, IIM (Ahmedabad), IIT (Mumbai), Symbiosis, FLAME and Chartered Accountants Institute. Kuntal is an Electronics Engineer from Pune University.

Safal Niveshak (SN): Could you tell us a little about your background, and how you got interested in value investing?

Kuntal Shah (KS): I was brought up in a middle-class family in Mumbai. I am an engineer by qualification. Early life was a constant struggle to make ends meet for our family of five siblings given our father's limited earnings. I was lucky to be brought up in an environment where there was no compromise on education and was fortunate to be inculcated with middle class working ethos, frugality and conservatism of living within one's means without recourse to borrowing to prepone consumption.

I was always fascinated with the capital markets. Hence, a career in the same seemed like an excellent opportunity to develop a perspective on different businesses and figure out how their fortunes played out in long run and how stock prices got set in the short and long run. The initial phase of your career is spent learning the intricacies but the benefits flow all your life as learning and compounding of capital are both cumulative and a good means to attain financial independence.

On graduation, I joined a reputed electronics company and resigned by evening aware that I was not cut out for an engineering job. I also believed then that the prospects of such a career in India were not too rosy (this was in the era when IT revolution was not underway). Anyways, the very next week, I joined a brokerage firm owned by a friend's father who was kind enough to accommodate a novice. As soon as I started my career there, I was lucky to see my investments multiply in a short span of time along with the broader markets. But as I realized later, that boom was an outcome of diversion of banking funds illegally into the stock market by vested interests, and run up in my stocks was an outcome of a large securities fraud.

Anyways, I erred in not booking profits at the right time when valuation went ballistic. This was because I waited to increase my holding period to longer term to be eligible for long-term tax exemption. In the process, I gave up a significant portion of my gains. I learned the hard way that risking more and more to earn less and less and trying to minimize taxes too much was one of the greatest causes of dumb mistakes in investing. Nowhere does it say that investors should strive to make every percentage of potential profit. Hence considerations of risk must never take a backseat to return.

SN: You mention about the role of luck several times in your above reply, as the same seems to have helped you in your journey over the years. How do you view "luck vs. skill" on a scale? In investing, is it largely luck like Michael Mauboussin writes in his book The Success Equation? What has been your experience?

KS: Rumour has it that a subordinate once asked Napoleon, "What kind of generals do you want?" "I want lucky ones," he replied. I think a healthy mix of luck and skill is required to succeed in investing. You can't get there by relying on either skill or luck alone. You need both. Having stated that investing is a field where the range of skill is wide, the more skilful will succeed at the expense of the less skilful.

When I entered the markets, it was much inefficient and I was less skilled. In fact, I was making more returns with much less skills than I am doing now. With the entry of a lot of talent driven by passion and incentives which the markets offer, these have gotten progressively more and more efficient and participants more skilled. This is one of the lessons of the paradox of skill that with so many skilled participants, the role of luck somehow seems to be increasing as time goes by and competition sets in. Getting better in an absolute sense doesn't matter if it's offset by the competition. Hence one should focus on the process and if the outcome is suboptimal, have the humility to take it in one's stride and get ready to try again with quick acceptance of whatever results appear.

SN: Well, the humility and acceptance you talked about are so important and widely missing. Anyways, tell us about your evolution as an investor and what has been your broad investment philosophy? Has your investment philosophy changed much through the years?

KS: During the first decade of my investing career, I worked with a family office where I honed my understanding of how businesses create value and growth, and how equity markets function over the long term. I was fortunate in getting early lessons in value investing and yet not pay too heavy a price of this learning.

We ran a two-tiered proprietary book. Let me explain this. A part of our capital was deployed based on an external recommendation by principals of family office, while our small internal group ran a portfolio with four to five securities accounting for the bulk of allocation. Since the capital was unlevered and permanent, there was no chance of us turning to be forced sellers in adverse market condition. We also had the flexibility to withstand temporary market downturns and in fact average on the downside.

I think running concentrated portfolios requires a combination of skill and stability of capital base, attributes that only a select few investors truly possess. For managing external money, combining our best ideas at the top of the portfolio with higher position sizing with number of non-correlated ideas at the bottom of the portfolio with lower allocation has improved both our returns and the reliability of those returns and has helped to soften the lumpiness in performance.

SN: And that has helped you compound capital at a good rate over the long run, right?

KS: Yes Vishal. You see, compound interest was described by Einstein as the eighth wonder of the world. The essence of compounding is captured in the following equation which states that –

Future value = Current value x (1 + rate of interest) ^ Time period of compounding

As applied to value investing, it becomes –

Longevity of growth + High rate of returns + Reasonable price = Wealth creation

Thus, to compound wealth, you need to invest in businesses that are deploying capital at a high rate of returns for a long period and purchase them at reasonable prices. Since the time horizon of compounding at the above average rate of return has an exponential impact on wealth creation, it's better to invest in a business with little lower compounding rate but far higher longevity of growth than in a business with higher compounding rate but lower longevity.

Also, it follows that a long-term investment horizon is an edge in obtaining superior returns as it allows the magic of compounding to work. Time, as Warren Buffett says, is the friend of a wonderful company and the enemy of a mediocre one. As we stand today around 96% of Buffett's fortune was created after his 50th birthday and nearly 90% came after his 60th birthday. (For additional reading refer to Buffett's note on The Joys of Compounding that he covered in his 1963 to 1965 annual letters to clients).

SN: Those letters Buffett wrote in the early part of his career are truly amazing and are a must read for anyone wanting to learn the concept and relevance of long-term compounding. So, thanks for bringing that up.

Anyways, you've mentioned about running concentrated portfolios. What are your views on the argument between concentration and diversification?

KS: While there is no clear answer for this, I believe the nature of capital one manages (long term or short term, permanent or transient, levered or unlevered and more importantly patient or hyperactive capital) must be borne in mind while deciding whether to concentrate or to diversify.

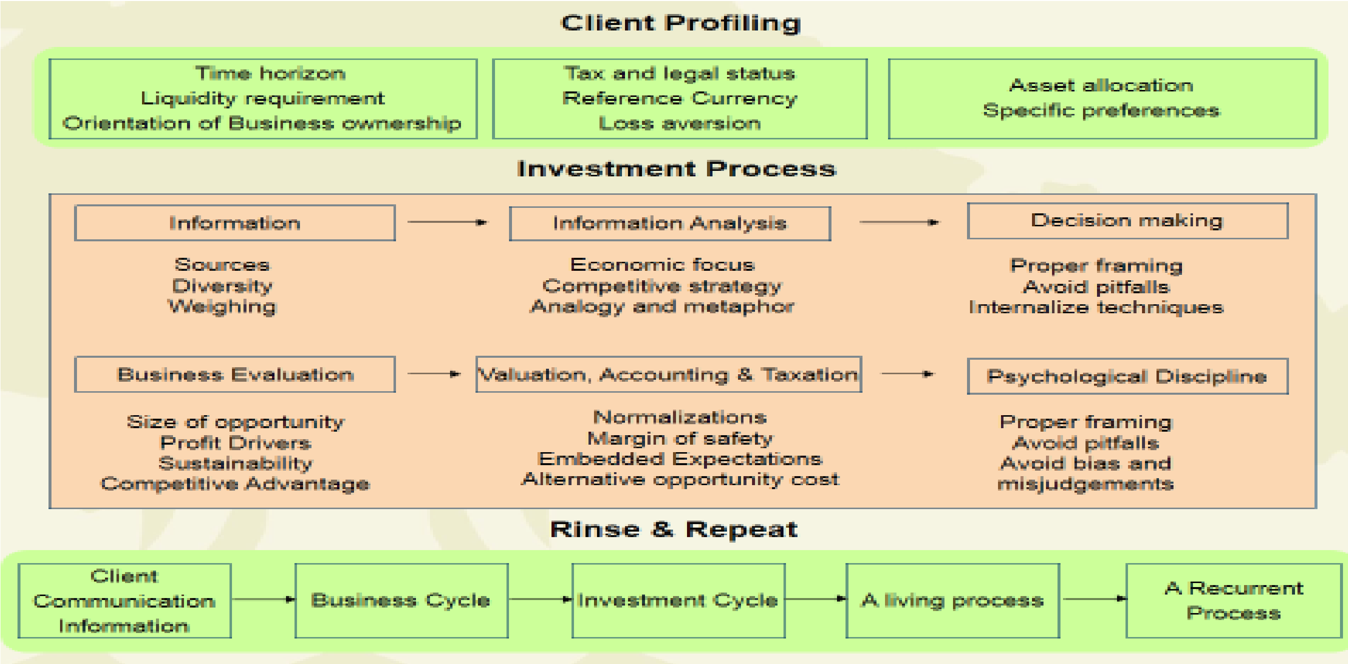
Concentration can be considered if one manages patient and permanent capital with an ability to hold cash and look foolish for an extended period and wait for the fat pitches. Also, concentration can be accompanied with healthy dosage of cash which serves as protection value of keeping portfolio safe during periods of dislocations, and provides optionality of liquidity to invest in bargains after such dislocations. This ability, quite often, is not available to fund managers who get told by investors that they are taking the equity/cash call at their end.

Currently, there is a trend towards over-diversification and passive investing. While it's good for an average investor with little time to devote to managing capital to buy a broad index or seek extreme diversification to get passive market returns, same is not good for an active investor. While there is limited amount of capital which is overtly indexed, there is a great deal of closet indexing or index hugging by fund managers who are so diversified that in effect they own a significant chunk of markets. If you pushed indexing and excessive diversification, you would get preposterous results.

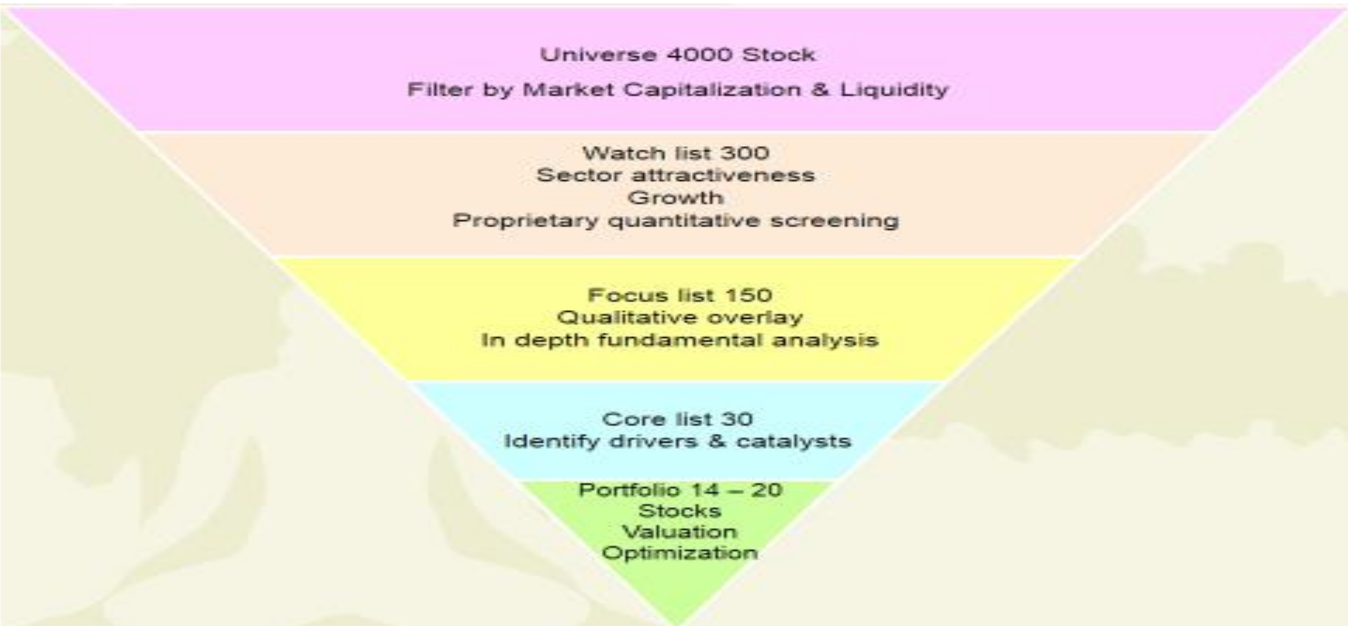
SN: Tell us about your current investment process.

KS: Our investment philosophy is a multi-step process *(see charts on the next page)* with special emphasis on right companies within right sectors, run by right managements with capital allocation and corporate governance in place and available at right prices.

If we must pick outperformers, we must first eliminate underperformers and work with residual ideas. The initial screening process we deploy is pure science whereby based on liquidity, sales and profit growth rates, capital efficiency, we eliminate more than 97% of listed stocks and make our opportunity set more manageable. Otherwise, the sheer size and permutation of options would make the process a daunting task. Needless to say, some good ideas will slip us by in this process but that's the trade-off we are happy to make as we need only a few good businesses to construct our portfolio.


Client Profiling
Time horizon
Liquidity requirement
Orientation of Business ownership
Tax and legal status
Reference Currency
Loss aversion
Asset allocation
Specific preferences
Investment Process
Information
Sources
Diversity
Weighing
Information Analysis
Economic focus
Competitive strategy
Analogy and metaphor
Decision making
Proper framing
Avoid pitfalls
Internalize techniques
Business Evaluation
Size of opportunity
Profit Drivers
Sustainability
Competitive Advantage
Valuation, Accounting & Taxation
Normalizations
Margin of safety
Embedded Expectations
Alternative opportunity cost
Psychological Discipline
Proper framing
Avoid pitfalls
Avoid bias and misjudgements
Rinse & Repeat
Client Communication Information
Business Cycle
Investment Cycle
A living process
A Recurrent Process


Investment Philosophy
Fundamental driven
Superior Businesses
Margin of safety
Asset Allocation
Cash call @ overvaluation
Diversification
Non correlation
Business & Investment Cycle
Risk Budgeting
Screening
Investible Universe
4000 Companies
Liquidity and market cap filters
300 Watch list
Attractive Financials
Sector tailwind
New markets/products
Competent management
150 Focus List
Competitive Analysis
Entry Barriers
Cyclicality
Accounting and Corporate Governance
30 Core List
Active Monitoring
Optimization
Deep fundamental overlay
Downside analysis
Investment decision
Valuation
Capital Allocation: Size
Risk to hypothesis
Diversification
Correlation
Range of outcomes
Portfolio construction & Monitoring
14 to 20 holdings
Weighted by conviction
Less than 15% of portfolio in one stock at entry value
Sell discipline
Disconfirming evidence
Measurement and performance evaluation
Reporting
Process improvement


Universe 4000 Stock
Filter by Market Capitalization & Liquidity
Watch list 300
Sector attractiveness
Growth
Proprietary quantitative screening
Focus list 150
Qualitative overlay
In depth fundamental analysis
Core list 30
Identify drivers & catalysts
Portfolio 14 – 20 Stocks
Valuation
Optimization

SN: Thanks for your laying out your investment philosophy so clearly. Let's now talk about position sizing, which is a critical element of portfolio construction but not much talked about. Would you like to elaborate on how you look at this subject?

KS: Apart from finding a good idea with a high degree of conviction, one needs to maximize the payoff from the same to move the needle in a portfolio. And that can be done only by appropriate position sizing.

Position sizing is directly related to expected returns. As per the Kelly criterion, what drives position sizing are conviction level and degree of certainty derived from an ability to completely understand all aspects of the business especially risk factors, competitive position, valuation, and liquidity. So, if the investor has two ideas with the same expected return, but one is in a highly-leveraged financial company and one is a very stable consumer products company, the investor should allocate substantially more money to the latter because there must be a premium for certainty. What is overlooked by many is that higher the range of possible outcomes at the business level and higher the uncertainty with timelines, lower should be the position size. Then, at a certain wide range it should simply be excluded from the portfolio till the range narrows to reasonable levels. This is needed to guard against the risk-seeking attitude of most investors who are more focused on upside and return potential with lower regards to risk and how much they can lose.

SN: That's true. But how do you take this into account when you are managing such risk-seeking investors' money? I mean, how do you keep yourself sane, especially when dealing with clients with undue expectations?

KS: One of the greatest risks we face when managing other people's money is the risk of having the wrong investors. Hence having a base of intelligent and patient investor clients is very crucial. This is because your best skills could be undone if your clients panic and withdraw capital at the wrong time.

We encourage our investor clients to view stock ownership as fractional ownership of the underlying business and that changes in prices of securities are far unstable than the changes in underlying business fundamentals. We explain that partial ownership of a wonderful business is great means for satisfactory returns over long term, both for the salaried for their retirement planning and for business people for diversification from their core business which accounts for a bulk of their wealth.

Constant pressure to be fully invested, or the possibility of being hit by redemptions in a downturn are permanently damaging to the process of compounding as well our behavior. This risk hinders the ability to invest when markets become irrational. No matter how good our investment process is, even the best investors go through periods of underperformance.

If our partners leave us when our stocks are the cheapest, not only will they be doing themselves a disservice but they will make us a forced seller when in fact we want to be a greedy buyer.

SN: From what you've shared, it seems a real challenge to be a money manager. But how is it during market extremes? Like in situations of euphoria and market crashes?

KS: I think such periods are challenging for all investors. The reason is anything to do with wealth boils down to confidence, greed, and fear. And the pendulum of valuations swinging away from the center all the time isn't going away. It swings from too rich to too cheap, but it never swings halfway and stops. And it never swings halfway and goes back to where it came from. The momentum always is carried to excess on both sides. Reading about history whereby the harder lessons you can learn vicariously rather than through your own hard experience, the better it is for investors and has served us well. George Hegel was right when he said, "We learn from history that we do not learn from history."

Now, there is a misconception that fiat currency without an anchor and prone to central bank printing is responsible for this boom-bust cycle. But one must remember that bubbles, manias, and panics have been frequent across the world amidst diverse economic policies and varied timelines. They have occurred even in centuries when the gold standard prevailed. However, the frequency and magnitude of intervention by central and monetary authorities coupled with innovations in finance have made them more frequent in nature.

SN: What have been the best and worst times in your experience as a money manager? How did you handle, say, a situation line 2008?

KS: The best time was 2001 meltdown, after the dotcom bubble had burst). I had sold most of my stocks during the tech boom, and had sufficient cash to take advantage of the opportunity when several companies were cheaply available. The perfect storm of accelerating GDP, rising productivity and capital efficiency combined with low entry prices resulted in a good set of opportunities across a wide range of sectors.

My worst time in terms of performance was indeed the 2008-09 period. Ironically, we had seen it coming. While it was playing out in the US, Indian markets kept going up. We increased our cash position simply due to inability to find worthy ideas to stay invested at overvaluations witness in 2007. But we didn't realize the magnitude of downside possible and hence, in hindsight, didn't sell adequately.

Liquidity just dried up and small selling by indiscriminate and forced sellers led to a disproportionate decline in quotations of our portfolio securities. I guess the inability to book profits at time of overvaluation and deploy the same in ensuing downturn was an act of forgone opportunity or a sort of omission on my part as many quality stocks got beaten down to ridiculous lows in the panic that arose. This was the time I became acutely aware that the opportunity set for an investor is not the current one but also range of opportunities that can arise later, given the current state of business cycles and valuations.

SN: What are some of the characteristics you look for in high-quality businesses? What are your key checklist points you consider while searching for such businesses?

KS: Value comes in many forms and there are many ways to skin the cat. All forms of discovery of mispricing, probability, and source of bridging the gap is intelligent investing. If everyone chooses to only invest in a high-quality business, what would happen to businesses not fulfilling the quality parameters? In such a situation, the pari-mutuel nature of markets would at many instances set the prices accordingly.

In his 2007 letter, Buffett described three types of companies – great, good and gruesome. This was based on their ability to generate rate of returns. Now, a company can deliver value in the following manners –

1. Companies that have superior free cash flows which can be used to increase unit volumes, which drives commensurate earnings or expand in related areas or acquire business at reasonable valuations. These companies should have decent return on capital, strong financial and competitive position and able to have decent return on incremental capital much more than nominal GDP growth rates. The valuation of such companies is very sensitive to changes in growth.

2. Companies that have significant free cash flows from operations and can return the surplus unencumbered cash to shareholders in a cash efficient form namely dividends when shares are not undervalued and via buyback when they are undervalued as compared to their future prospects.

However, in addition to these two sources of value creation from free cash flows and high ROE earnings, there are two other sources of value creation via monetization of asset and having access to capital markets on favourable terms.

3. Companies that choose to enhance the value of assets acquired at historical prices by corporate actions, which involve repositioning assets to higher uses, better financing of asset acquisitions, the refinancing of liabilities or both; and the creation of tax advantages. These companies can do so via M&As, leveraged buyouts or gearing to a healthy level by cheaper debt, spin-offs, and asset sales. Equity ownership is residual claim not only on earnings but also on assets of a company and repositioning of assets for better usage can create value.

4. Another source of ignored value is access to capital markets (debt and equity) at super-attractive terms and prices. There seems little question that far more corporate wealth has been created by taking advantage of attractive access to outside capital. If one can acquire capital market currency which can be issued at favorable terms at periodic intervals of high market valuations, the same can be a superlative source of competitive advantage *if* the company is run by an able capital allocator. Issuance of one's common stock for another business before or during or immediately after M&A requires evaluation and valuation of both acquirer and acquired. Hence, the need of good capital allocator to do so. Thus, an overpriced stock in hand of capable competent management can be its most important asset and the same can be said of an under-priced stock if the management resorts to buybacks. This is extremely neglected in most financial literature but is a great source of value creation if done right.

With regards to your question on a checklist, each of the above points would have slightly different considerations. This is given that the first two are based on earnings and use of retained earnings, the third one is based on corporate action as it pertains to asset usage, and the fourth one is kind of opportunistic financial arbitrage. Hence you need a different checklist and different mental models for different companies.

As stated earlier, one needs to develop one's own framework to understand value proposition of business (streams of revenue and mix, growth drivers, cost structures and advantages, ability to price, distribution channels, switching cost and loyalty, cost of search for alternatives, market share, asset turns, working capital needs etc.) and be alert to constant value migration within the ecosystem.

SN: Those were quite interesting and valuable insights. What about valuations? How do you differentiate between 'paying up' for quality and 'overpaying'?

KS: To a value investor, potential investments come in three varieties, based on price, after having established longevity of growth and superiority of rate of returns generated by business –

1. Undervalued at one price;
2. Fairly valued at another price; and
3. Overvalued at still higher price.

My goal is to buy the first, avoid the second but keep tracking the same, and sell the third, all things being equal.

One rough yardstick to use to ensure one doesn't overpay is to do back of the envelope calculation that the market cap paid today should be equal to cumulative sum of profits likely to be earned by a company in the next 7-10 years without any equity dilution. And if by chance the profit of the company a decade from now shall be equal to its current market cap, then you have a sure multi-bagger in your hand.

Also, current stock prices reflect a set of expectations for future financial performance. Companies can increase earnings by retention of profits earned along with inflation. Simultaneously, they destroy value if the returns are below the threshold of comparable options available elsewhere. Instead of arriving at fair value today, one can examine the level of free cash flows implied in current valuation and then figure out the probability of that happening using *reverse DCF* (refer to Alfred Rappaport & Michael J. Mauboussin in their book Expectations Investing). Thus, if price implied expectations are very different from what your view is, there is an actionable idea of buy or sell and a potential profit opportunity.

Mathematically, it can be proven that over long periods of time, it is hard for equity investors to earn returns that are much higher or lower that the underlying business return on capital employed. This can be explained with the mathematics of a long-term bond where the rate at which coupons are reinvested determine investors' IRR rather than the yield at the time of purchase. After all, equities are similar claims as perpetual bonds with residual unpredictable and lumpy coupons.

Investors who are long-term oriented must not confuse *cheap* with *value* as the bitterness of poor quality remains long after the sweetness of low entry price is forgotten. The issue of paying up for quality versus overpaying is very much an individual choice which essentially boils down to the assessment of size of the opportunity, quality, and longevity of growth of the underlying business.

SN: Great insights, Kuntal! What about selling stocks, which seems a more difficult task than buying? How do you determine when to exit from a position? Are there some specific rules for selling you have?

KS: The discipline to 'sell' is as important as the discipline in making the 'buy' decisions. A rational criterion for when to sell a stock is vital to the management of a sound portfolio. As a rule, I exit investments based on a few factors including –

- Adverse changes in long-term sales growth and earnings power, migration of value across the value chain, wrong assessment of longer term competitive intensity and pricing power because of which original investment thesis that I used to buy the stock is no longer accurate.
- Loss of confidence in the management due to adverse capital allocation or corporate governance issue for which I have a low tolerance.
- Opportunities to allocate capital to more compelling investments.
- Reducing exposure in times of extreme market wide bubble.
- Excessive overvaluation of a company due to re-rating, without commensurate cash flow/earnings growth that can contract as easily.

SN: When you look back at your investment mistakes, were there any common elements of themes?

KS: Whatever failures I have known, whatever errors I have committed, whatever follies I have witnessed in the private and the public life have been the consequences of action without thought, planning, and strategy.

Good judgment comes from experience, and often experience comes from bad judgment. And while experience is a good teacher, she sends in terrific bills.

Like most investors, I too have also suffered from the seven deadly investment sins at different points of time –

1. Overconfidence/Pride: Needs a checklist and acceptance of disconfirming evidence
2. Sloth: Inability to deep dive into opportunities and be alert to risk and herding
3. Gluttony of information: Leading to high noise to signal ratio
4. Myopia: Overweighing short term vs. long term when investment horizon was long-term
5. Greed: Of losing opportunity and missing out
6. Fear: Of losing capital and missing out
7. Cowardice: Inability to invest big when odds are favourable and opportunity meets prepared mind.

However, my acts of omissions far dominate the outcome via lost opportunities. One common error I have made in the past is overestimating rationality by governments, central bankers, and regulators. It is very hard to interfere with the functioning of the markets without having lots of unintended consequences. Also, my inability to book gains by selling stocks completely when valuations had gone berserk falls squarely under the acts of omissions.

SN: How can an investor improve the quality of his/her decision making?

KS: Here are a few of my suggestions –

- Develop a checklist, analytical framework and start keeping detailed investment journal to monitor the progress of ideas.
- Try to develop informational, analytical, behavioural, and structural advantages in the process. Being process-oriented means examining all possible outcomes and all new information and assessing them relative to original thesis.
- Do pre-mortem as against post-mortem. Think about what can go wrong prior to making the investment and keep evaluating as you go along.
- Never invest in something you don't understand well, and have low conviction on, and is outside your circle

of competence. If one changes his or her investment approach in response to recent underperformance, one might be doomed to mediocrity. If adverse situations arise, avoid making decisions under extreme stress or seek opinion of a couple of unbiased and independent persons of skill and repute.

- Avoid anchoring bias and don't get fixated on a number or price. Put a foot in the door by buying small initial quantity if the business looks appealing. This allows psychological flexibility to average up. Practice the same while selling by averaging down. In absence of the above, one can be anchored to prices which may not be attained for a long period to come. Prices can go from being source of information to a source of influence due to reflexivity present in the equity market and one needs to keep them distinct.
- Along with the probability of being wrong, weigh the consequences and impact of adverse outcomes. As George Soros has said, it's not whether you are right or wrong that's important, but how much money you make when you are right and how much you lose when you are wrong that's important.
- Pay attention to the incentives and rewards system of the ecosystem and judge management from all possible angles of vision, strategy, ambition, execution and attitude towards wealth creation and minority shareholders.
- Be wary of leverage and empire building. Markets are there to serve you and not to instruct you. The way to get into trouble is doing the thing you don't understand and then doing them with lots of borrowed money.

SN: That was some valuable advice, Kuntal. Thanks! Let's now talk a bit about 'risk'? How do you look at it while making your investment decisions?

KS: Let's get the basics right here. Price movement of securities is not a risk. There are other forms of risk such as regulatory risk, inflation risk, asset-liability mismatch risk etc. Also, there is the conception that to obtain high returns, an investor must take correspondingly high risk. In my humble opinion, risk and return are negatively correlated. In fact, to attain higher return, one must reduce the risk of permanent loss of capital. Remember that the first rule of investing is to not lose money, and the second rule is to never forget the first rule.

An investor faces several kinds of risk, some of which can be eliminated (concentration, complexity, liquidity, adverse taxation etc.) while some can be mitigated and managed through framework (capital risk, currency risk, correlation risk etc.) and some which shall have to be embraced keeping odds, impact and margin of safety in mind (information asymmetry and deficiency, event risk, key personnel risk, business risk, corporate governance and capital misallocation risk etc.)

SN: What's you two-minute advice to someone wanting to get into value investing? What are the pitfalls he/she must be aware of?

KS: My single most important piece of advice would be to read voraciously. This also involves conscious efforts to eliminate noise and seek the best use of productive time one has, which is a finite commodity.

I like business biographies because these tend to show how passionate people who live and breathe their businesses have created something out of nothing. Also learn from business failures as they contain lessons on what not to do. Learn from the works of eminent dead and living people and companies in different geographies who have experienced success in related areas who've been winners and failures, and then try to identify why and what it is they're doing that causes/caused them to be successful or failure.

SN: Which unconventional books/resources do you recommend to a budding investor for learning investing and multidisciplinary thinking?

KS: I suggest reading offbeat stuff like biographies of successful/failed entrepreneurs and businesses. In terms of newsletters, I suggest Outstanding Investors Digest and Grant's Interest Rate Observer. Here are some of my other recommendations on what to read –

Financial History

- Extraordinary Popular Delusions and the Madness of Crowds by Charles Mackay.
- The Great Crash, 1929 along with A Short History of Financial Euphoria by John Kenneth Galbraith
- Manias Panics & Crashes by Charles Kindleberger
- This Time is Different by Carmen Reinhart and Kenneth Rogoff

Accounting

- Financial Shenanigans by Howard Schilit
- Accounting for Value along with Financial statement Analysis and Security valuation by Stephen Penman
- The Financial Numbers Game Along With Creative Cash Flow Reporting by Charles Mulford
- Quality of Earnings by O'glove
- Financial Statement Analysis by Martin Fridson
- Financial Fine Print by Michelle Leder
- Its Earnings That Count by Hewitt Heiserman

Process Improvement & Multidisciplinary Thinking

- Poor Charlie's Almanack by Peter Kaufman
- Best Practices for Equity Research Analysts: Essentials for Buy-Side and Sell-Side Analysts by James Valentine
- The Investment Checklist: The Art of In-Depth Research by Michael Shearn
- The Power of Habit: Why We Do What We Do in Life and Business by Charles Duhigg
- 100 to 1 by Thomas Phelps
- 100 Baggers by Christopher Mayer
- Thinking, Fast and Slow by Daniel Kahneman
- Influence by Robert Cialdini

- All three books by Peter Bevelin: Seeking Wisdom, A Few Lessons from Sherlock Holmes & All I Want to Know is Where I Am Going to Die So I'll Never Go There.

Understanding Business

- Understanding Michael Porter by Joan Margretta
- Value Migration by Adrian Slywotzky
- Competition Demystified by Bruce Greenwald
- The Five Rules for Successful Stock Investing by Pat Dorsey and Joe Mansueto
- Business Adventures by John Brooks
- Berkshire Hathaway Letters to Shareholders, 2015 by Max Olson
- The Outsider by William Thorndike
- Business Model Generation by Alexander Osterwalder

Valuing Business

- Valuation and Managing the Value of Companies by McKinsey & Company Inc.
- All three books by Aswath Damodaran on valuation – Damodaran on Valuation, Investment Valuation and The Dark Side of Valuation

SN: Great list indeed! Which investor/investment thinker(s) do you hold in high esteem?

KS: I like Charlie Munger and Warren Buffett, Howard Marks and Seth Klarman, Jeffrey Gundlach, Prem Watsa, and Benjamin Graham. Also, there are a host of great investors whose letters, writings and achievements attained in one lifetime have had an influence on me. I would also suggest reading about works of Michael Mauboussin, James Montier and Daniel Kahneman.

SN: Hypothetical question – Let's say that you knew you were going to lose all your memory the next morning. Briefly, what would you write in a letter to yourself, so that you could begin relearning everything starting the next day?

KS: This one has got me thinking. In such a hypothetical scenario, I would focus on writing about my friends and family and pen down the social framework of my existence and well-being. I would tell my near and dear ones to be patient and loving with me and help me regain the semblance of my original self by sharing memories and experiences. With regards to professional material, there is lots of it stored in my library, emails and Evernote account and that is well documented and archived.

I believe getting one's principles, leanings and learnings, emotional and personal life would be more important to note down as they have not been as well chronicled as business aspects have been.

SN: One final question – What other things do you do apart from investing?

KS: I have few ongoing efforts directed at giving back to the society and focusing on the well-being of less fortunate ones. I am a big fan of music and good movies and love to catch up on the same when time permits. I also love to teach. Teaching and writing require the discipline of understanding, deliberate practices of communication, constant learning, and updating material as your idea evolves. Hence I am associated with FLAME University, which is a pioneer of liberal education in India and is doing some interesting work in the field of developing good programs for Indian capital markets. They also have one of its kind of business library in this part of the world with books on diverse topics. This library is an affiliate of the Library of Mistakes which is very interesting. Please do check it out.

SN: On that wonderful note, Kuntal, let me thank you for sharing your amazing and deep insights for Safal Niveshak readers. I'm sure readers are going to attain great benefits out of your thoughts and experience.

KS: Thanks for the interview, Vishal! I really enjoyed it.

Also Watch: Wizards of Dalal Street: A Fresh Breeze – Kuntal Shah