Preparing for the golden decade- my learnings from the bull & bear market over 4 years- Satwik Jain

"Losing capital is ok, losing confidence is game over in investing as well as personal/ professional growth".

The bear market in Indian equities started on October 18, 2021 and has spared none over these 9 months from investors focused on high growth blitz scalers to those focused on low valuations & special situations. I have tried to collate my learnings from the past 4 years of raging bull markets to gruesome bear markets to add frameworks for building & preserving generational wealth over the next decade as India reaches $ 6 trillion economy & NSE 500 profits triple to INR 18 lakh crores

1) Holy grail of compounding according to me will be finding **hungry sharks in an ocean** as they can decimate competition and still have huge opportunity left. Eg leaders and challengers having 5-20% share of industry and not 50% plus. Eg Polycab , KEI, Titan, Tarsons, Vedant Fashions rather than Maruti which is the industry itself.
2) Peak multiples at peak earnings are a recipe for time correction or derating despite highest quality business. Eg Dr Lal Path Labs
3) **Markets discount 8 years future growth in 8 quarters very quickly in blitz scalers.** Unless we are extremely sure of growth to sustain, it's best to exit at above average margins & earnings. Eg Dixon technologies, India mart, Angel One
4) Fortunes will be made in differentiating between transient and consistent multi baggers. Will be keeping razor eyes on blitz scalers part of portfolio when/if they give 3-4x return as in markets as in life nothing grows to the moon. Eg Tarsons, Prevest Denpro, Vedant Fashions, etc.
5) **High PE goes to higher PE if growth sustains,** the key here is to be extremely sure of growth & quality of growth. Eg Bajaj Finance, Dmart, Trent, Astral
6) **High PE stocks can get derated very quickly** once markets sense growth has slowed down structurally. Eg Maruti, Eicher Motors in 2019
7) **Factors are important for short term returns** - As public money manager even if you have picked best companies in a particular sector, you would be finished once cycle turns. For Eg infra in 2008, wholesale nbfcs in 2018, IT Services in 2022. It is a must to invest in partially uncorrelated business models within a sector and sector diversification. Personally, have tried to invest in wires and cables, pipes, paints, wedding retail, jewelry retail, clothing retail in consumer, dental healthcare, domestic branded generics, labware equipment, diagnostics in healthcare, it services, job search, music streaming in technology, top bank & NBFC in financials to diversify across factors
8) **Theory of reflexivity is real in capital raisers** - Companies with ability to raise capital at higher valuation will get premium from markets. Eg Bajaj Finance raising money at 8x P/B
9) If huge supply is coming in the stock no growth is good enough to make the stock move. Eg Coforge, SBI Cards
10) **Cash cows with low double digit/ single digit growth kill returns in raging Bull markets**. They are good to reduce theoretical beta in bear markets but real wealth will be created by solid earnings growth of 18% plus with potential for valuation rerating- Eg Abbott, Nestle
11) **Strong consumer monopolies mostly bounce back after crises**. These are best times to pick them provided there's no moat attach. Eg VIP industries, PVR. Same is not case with leveraged cos and lenders. Eg wholesale NBFCs which were leaders of 2018 bull run
12) **It is futile having 5-year views on businesses blinded by moat attacks/ industry headwinds**- 5 year holding has to combination of 10 six monthly executions & reverse DCF making sense For Eg Eicher, Maruti were in my forever hold basket till growth slowed down structurally in 2018. Same for Dmart in early 2022 when P/E reached 200 and reverse DCF implied 12% blue sky 10-year IRR. There has to be sell framework even for established monopoly basket
13) Corporate governance is cyclical- markets and promoters value business more as company scales up & adopt best practices transforming from "Lala company "to institutional setup. Eg leading footwear retailer

If you have any queries (about your portfolio, Generational Capital or investing in general, do reach out to me at satwik@generationalcapital.in

Best regards,
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