



PROCESS FIRST, IDEAS NEXT
Your process leads to ideas

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Process is the Key



The key to investment success is a structured, evolving process driven by curiosity and learning

Ideas are commoditized and a small part of Investment success

Ideas are plenty but not enough



- I have missed several multi-baggers as my mindset and process had not evolved to recognize them
- Data points such as News, Technicals, Financials are noise till you overlay your process on it

Learn to connect the dots using your process – That is the key to making ideas work

Past Misses



Reason

Did not appreciate the concept of Industry themes

Past Misses



Reason

Did not understand the concept of earnings surprise

Past Misses



Reason

Did not appreciate cyclicity and understand the concept of stage analysis (technical)

Reflecting on the hits and misses, led to

- Concept of technical analysis and how to read charts
- Concept of stage analysis
- Momentum and various factors of investing (Value, quality, growth, duration)
- Market analysis : Price action, Breadth
- Styles of investing (Swing, Position, GARP, Deep value, Buy and hold)

Post on learning : [How to become an investor \(part 2\) - Design your learning process](#)

Foundational elements

- Time Horizon : weeks to 3 months, 3-18 months, 2-3 years, 5-10 Years
- Investment factors : Value, Momentum, Quality etc
- Market Tendencies: Reversion to the mean, Momentum, Catalyst, Volatility contraction

Combine the foundational elements to develop a setup

- Search
- Generate watch and focus list
- Technical, Fundamental, Sector analysis
- Entry criteria (Position size, Risk reward analysis)
- Position management
- Exit criteria

Search criteria

- Growth > 15%, ROC > 15%
- Management Quality
- Competitive advantage

Time horizon

- None

Technical/Fundamental analysis

- Ignore charts
- Industry economics, Tailwinds
- Competitive strength, Management competence
- Valuations !

Entry criteria

- 3:1 Long term odds (\leq median valuations)
- Earnings inflection
- Qualitative changes: Improving economics, capital allocation, catalyst

Position management & Exit

- Add as the thesis plays out
- Sell on extreme valuations (+2 sigma)
- Thesis break
- Best case scenario : Never sell

Search criteria

- Valuations @ 10 year lows
- Margins below median
- Depressed stock, hated by everyone

Time horizon

- 2-3 years

Technical/Fundamental analysis

- In stage 1 or early stage 2
- Topline growth or profit growth (early turnaround)
- Industry bottom

Entry criteria

- Pilot position
- Early turnaround (stage 1 to stage 2)

Position management & Exit

- Add as the Industry recovers
- Sell on +1 Sigma valuations
- Sell on peak margins
- Exit if Industry recovery delayed

Deep value



Thomas Cook (I)

- Travel collapsed during Covid
- Margins at decadal lows
- Valuations at decadal lows
- Stock up 3-5X from the lows

Profit & Loss

Consolidated Figures in Rs. Crores / [View Standalone](#)

[RELATED PARTY](#)

[PRODUCT SEGMENTS](#)

	Dec 2013	Mar 2015 15m	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
Sales +	1,287	3,244	6,094	8,762	11,248	6,603	6,833	795	1,888	5,048	7,299	8,140
Expenses +	1,140	3,001	5,910	8,425	10,876	6,520	6,726	1,147	2,075	4,870	6,862	7,663
Operating Profit	147	243	184	338	372	83	107	-352	-187	178	437	477
OPM %	11%	7%	3%	4%	3%	1%	2%	-44%	-10%	4%	6%	6%

Sugar stocks (Bajaj Hindustan)

- Margins at decadal lows
- Valuations at decadal lows
- Stock up 3-5X from the lows



Profit & Loss

Consolidated Figures in Rs. Crores / [View Standalone](#)

[RELATED PARTY](#)

[PRODUCT SEGMENTS](#)

	Mar 2014 18m	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
Sales +	6,645	4,535	4,690	4,399	5,847	6,806	6,669	6,666	5,576	6,338	6,104	5,575
Expenses +	6,742	4,704	3,906	3,548	5,575	6,510	6,216	6,503	5,403	6,075	5,855	5,285
Operating Profit	-97	-168	785	851	272	297	454	163	172	263	249	290
OPM %	-1%	-4%	17%	19%	5%	4%	7%	2%	3%	4%	4%	5%

Search criteria

- Price volume action
- Breakouts
- Pull backs

Time horizon

- Weeks to months

Technical/Fundamental analysis

- Stage, Base analysis
- Price action/ Volume, Moving averages, Support
- Earning surprise and momentum
- Themes

Entry criteria

- Pivot point (High R:R)
- Stop loss
- Early bases

Position management & Exit

- Swing high : Sell into strength
- Sell on stop loss
- Position trade : Hold on earnings momentum
- Position trade : Hold if theme is intact
- Position trade : Sell on stop loss, Low R:R or position sizing

Swing / Position Trade



- 14 months base break out on high volumes
- Triple digit earnings growth
- Theme
- As position trader can hold on 50/200 DMA support till earnings/Theme intact

- Your process is a mental model which helps focus on the right data points: One man's garbage is another man's treasure (such as high valuations)
- Helps tune out noise
- Investing factor or styles are like tools. Use one which works for you

Why learn other styles ?



- Curiosity: Why not ? Expand your knowledge
- Understand concepts such as momentum, Earnings surprise
- To understand market behavior better
- Diversify across styles
- Apply setups of other instruments such as Commodities, sector ETF etc.
- Deepen your existing process

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