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Stay the Course

An Officer's Guide to Building Wealth Through Equity

Lt Cdr Upendra Prasad · icanbefitter.com

"Investing is like buying a day in which you don't have to work for money."

FOR AVYAANSH

Compounding is felt first and seen later. Understand it. Give it time. The returns you cannot see today are already working in the background — quietly, relentlessly, without asking for your attention.

To win the game, one must stay in the game. A warrior who leaves the battlefield guarantees his own defeat. So first, choose your game with ruthless care — and then commit to it completely. No half measures. No exits at the first sign of turbulence.

My fear of losing money was overcome the day I realised that God has blessed me with skills from which I can always make money. With that clarity, I stopped defending and started building. Equity was suited to the life I wanted — no lock-in, no liquidity issue, cash flow through dividends, the freedom of not being tied to a location. With experience, the game gets easier and simpler. It always does.

This book is the distilled version of everything I learned, so you never have to start from zero.

— Your Dad ▯

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A Marine veteran from a small Indian town — no pension, no safety net, no financial background — who built everything himself over 14 years. Fitness coach, self-taught investor, AI builder, Pink Floyd guitarist, and father to Avyaansh. The creator of icanbefitter.com — a platform built so his son never starts from zero. He discovered FIRE in 2013 and has been on the equity journey since.

Calisthenics Athlete | Equity Investor | AI Builder | Shiv Bhakt

CHAPTER ONE · PART ONE

Introduction to Investing & Compounding

The snowball starts with a single drop of water.

Why We Must Invest

Investing is an art of employing our money to work for us and generate more money. The faster the rate at which the employed money generates return, the faster will the money snowball into an exponential value. Just for context, One Rupee compounded at a rate of 10% per annum grows into Rupees 10.83 after 25 years. A return of 10X in 25 years.

We need money to pay bills and take care of a lot of things, right from our kid's education to taking that vacation. Primarily, for a majority of the people around the world, their only source of income is their job. And the remuneration which one expects from the effort which one puts into the job is most of the times unjustified and way less. That's because the system is capitalistic — it is designed to exploit people at the middle and bottom chain for minting money for the people at the top. Thus, it becomes imperative to invest, so that we can become a part of the system and reap the fruits.

> *"Investing is like buying a day in which you don't have to work for money."*

1.1 WHY TO INVEST

To create wealth. To create MSI's (Multiple Sources of Income). Further, inflation is eating away money's purchasing power. Simply put, a Rs 100 item will cost more the next year — say Rs 106 as inflation is around 6%. So if we keep money in our savings account which offers a mere 2–2.5% interest rate, we are actually losing purchasing power every single day. Investing is an art by which we can build wealth by utilising money to set up systems of multiple cash flows — where money earns money, while you sleep.

1.2 HOW TO INVEST — UNDERSTANDING COMPOUNDING

A snowball starts with a single drop of water, which solidified and started to slowly grow. Investing is understanding the process of compounding. If we understand how compounding works, we can trace back how to invest. It is a function of three variables: Rate of Returns (R%), Time (T years), and Capital employed (C).

The formula: **Future Value = C × (1 + R/100) raised to T**

Let's see how the number 100 compounds by varying R and T. Irrespective of C values, the returns show a dramatic pattern — with sufficient time and a decent rate of return, one can compound money at an astonishing rate.

Rate of Return	10 Years	20 Years	30 Years
6% (FD / PPF range)	Rs 179	Rs 321	Rs 574
10% (Gold / conservative)	Rs 259	Rs 673	Rs 1,745
14% (Sensex historical)	Rs 370	Rs 1,374	Rs 5,091
20% (exceptional equity)	Rs 619	Rs 3,834	Rs 23,738

Starting capital assumed Rs 100. For illustration purposes.

1.3 UNDERSTANDING THE VARIABLES

Time affects the future value exponentially. The sooner we start, the more time run-up we will have for compounding. Let's assume you get a new job and instead of splurging all the money, you exercise delayed gratification and build an investible amount of say 5 Lakhs by age 25. By the time you retire at 60, the same amount would become 263 Lakhs at a 12% rate of return — a whooping 2.6 Crores. And that's without adding a single rupee after the initial investment!

However, if you start at say your forties, time will not be in favour of compounding. Creating wealth is a generational process. We all have a limited number of years. That's why the first rule is simple: **Start early. Start now.**

1.4 WHERE TO INVEST

The biggest depreciation in value of money comes from inflation, and the next comes from substandard investments. An investment can be called worthy if it provides most of the following — Preservation

(sufficient margin of safety), Growth (inflation-adjusted returns), Cash Flow (dividends or rental income), and Tax Benefits (icing on the cake).

Popular investment avenues include Gold, Real Estate, Provident Fund, Commodities, Currencies, Cryptocurrencies, Fixed Deposits, Bonds, and Equity (Stocks, Mutual Funds). In the next chapter we will dwell on the fact that why equity investing has an edge over all other instruments. However, by far the best instrument is to start a business. If you are reading this and you have a business idea that can be made into a profit churning machine — pursue it. Everything else is secondary.

CHAPTER TWO · PART ONE

Why Equity?
The Asset Class Showdown

Let the numbers speak. They always do.

The Case for Equity

The sole purpose of investing is to multiply wealth. For achieving this, an investor deploys his capital on various asset classes. It is important to keep in mind that all asset classes have different characteristics in terms of merits and demerits. Thus, the speed of multiplication of the invested capital will depend on the instrument chosen. Let's see a bird's eye view, asset class by asset class.

GOLD

Gold has been used as a medium of exchange since ages. Its shiny nature and humanity's hoarding habit have given it an extra valuation. Let's see what the numbers say. Start price in 1925 was Rs 18.75 per 10 gms. Price in 2020: Rs 48,651. Time: 96 years. Using the compounding formula, gold has given around **8.5% annual return.**

Definitely the graph looks impressive, but don't get dazzled yet! Note that gold has **zero cash flow**. Whenever you want to extract profit, you have to sell your asset. Further, gold has inherent demerits — zero cash flow, stowage costs, making charges, and standardisation issues. A smart investor is not the one who wears the most gold. A smart investor is the one who owns shares of the companies that mine it and sell it.

REAL ESTATE

Let's see a real-world calculation. A 3BHK on Kochi Marine Drive, appx 1500 sqft, costs around Rs 1 Crore. Down payment of 20 Lakhs, loan of 80 Lakhs at 7%. Calculated EMI: Rs 62,000. Rental income per month: Rs 25,000. Cash flow: **Negative Rs 37,000 per month.**

However, the false ownership effect of owning a property on EMI's is not a viable way to invest in real estate. It is pertinent to mention that there is no average return for real estate investing, as it depends on a

great many factors. Further, investing in real estate is field work — one has to physically move around and scour a lot of deals for finding an appropriate one. Not everyone has that bandwidth.

FIXED DEPOSITS & PPF

FD rates in India have been on a declining trend for decades. Most developed countries like US and Japan have one percent or even negative rates. We can assume that FD rates in India will also move towards very low values. Sad but true. It's because the government is printing money. Further, interest earned on FDs is taxable, making them a suboptimal wealth management instrument.

My father played the PF and FD game beautifully. He was employed at the age of 17, saved diligently throughout his working life, and is now comfortably retired without worry for finances. I grew up watching this. PPF delivered as high as 12% interest in its peak years — a stellar instrument in that era. However, it is off late that the rates have started declining, and the future also looks grim for this asset class.

CRYPTOCURRENCY

Bitcoin returns from Nov 2015 to Oct 2021 were 136% annual. That's crazy and unbelievable. But wait — then what's the catch? If not, why isn't everyone printing money?

The crypto industry is still in a nascent stage. Cryptocurrencies don't generate anything and have zero cash flow. They are speculative in nature, and the hype or returns enjoyed so far is due to public participation similar to a gold rush event. Once it cools down, the results might not be very encouraging. However, only time will tell. I have kept away from it. That is my personal view.

And Then There is Equity

Sensex was at 561 on 3 January 1986. On 5 October 2021, it was at 59,744. A **100X return in 35 years.** That's an annual return of 14%, using the compounding formula. Behold gentlemen — this 14% doesn't even include dividends.

Sensex Jan 1986	**561 points**
Sensex Oct 2021	**59,744 points**
Return (35 years)	100X | 14% annual CAGR
Dividends included?	No. Add them and the number is even higher.

A smart investor who bought Infosys shares in 2010 at a cost of Rs 330 would be getting Rs 27 as dividend in 2021. A whooping return of **8.1% every year — only in dividends** — which will keep on increasing if the

company continues to earn higher profits. And the stock price? Up many times over. That is the magic of dividends compounding alongside price appreciation.

Once we purchase a share of any company, we should realise that all the people working for that company are also working for us! The business grows, profits compound, dividends flow into our account year after year — and we don't have to do a single day of field work for it.

> *"For creating wealth, the best thing is to start an amazing business. The next best thing is to own such amazing businesses."*

THE ASSET CLASS VERDICT

Equity Wins

- 14% CAGR (Sensex, 35 years)
- Cash flow via dividends
- No maintenance cost
- Fully liquid — sell anytime
- No lock-in period
- Tax-efficient long-term

Others Lag Behind

- Gold: 8.5%, zero cash flow
- Real estate: negative EMI cash flow
- FD: declining rates, fully taxed
- Crypto: speculative, zero cash flow
- PPF: declining, Rs 1.5L cap

It is pertinent to mention that there is no defined way of investing. It's an art which evolves over a period of an individual's investing span. We should not be afraid of starting our investment journey. It is a step towards financial freedom.

CHAPTER THREE · PART TWO

What is a Company & What Are Shares?

The egg business that explains everything.

Let's Build a Business

Google, Microsoft, Amazon, Reliance, HDFC, Maruti. What did your mind picture when you read those words? A product or a service. A company is a legal entity formed by a group of individuals to engage in and operate a business. An investment-grade company is a profit-making enterprise which carries out one or more operations and can become self-sustainable when the founders step back and hire competent leaders to run it.

Motive of any business is to make profit. Profit = Revenue minus Total Expenses. Let's understand with the real-life story of Mr. X and Mr. Y.

THE EGG BUSINESS STORY

Mr X decides to be an entrepreneur. His plan: get raw eggs at a cheaper price, convert them into ready-to-eat form — boiled eggs, omelettes — and sell at a higher price, making a sweet profit. The problem? He needed Rs 1,50,000 to start.

So he went to Mr. Y and told him the plan. Mr. Y, being an investor himself, asked the right questions: "Kindly explain me this figure of Rs 1.5L. What are you going to do with it? What profit margin are you expecting? Why should I invest with you?" Mr. X had come prepared. He responded calmly and in an elaborate manner.

Item	Cost
Food cart (one time)	**Rs 1,00,000**
Gas stove + utensils (one time)	**Rs 13,000**
Cook + Steward (monthly)	**Rs 14,000 / month**

Raw materials + LPG (monthly)	**Rs 61,000 / month**
Monthly Revenue target	**Rs 1,05,000 / month**
Monthly Profit	**Rs 27,000 / month**

Mr. X then proposed dividing ownership in a **20:80 ratio** — Mr. Y gets 20%, Mr. X keeps 80%. That means Mr. Y earns Rs 5,400 per month on his Rs 1,50,000 investment. That's Rs 64,800 per year. An insane return of **43.2%.**

Mr. Y was convinced. He sensed margin of safety and growth potential. A company — "Egg Billionaire" — is born with initial equity capital of Rs 1,50,000. **That is how equity works at its core.** Mr. Y owns 20% of the egg business. He is an equity investor.

WHAT HAPPENS WHEN THE BUSINESS GROWS?

Seeing the tailwinds, Mr. X wants to expand. But expansion needs capital. Where to get it from? He has four options: his own pocket, more investors on a profit-sharing model, debt (bank loan at fixed interest), or an IPO.

An IPO — Initial Public Offering — is when a private company opens its doors to the general public for investment. The initial capital of Rs 1,50,000 can be divided into, say, 15,000 shares each having a worth of Rs 10. Now instead of going to one Mr. Y, Mr. X can go to the public. Anyone can buy a few shares. Everyone who holds a share is an owner — entitled to their portion of profits (dividends) and the growth of the business.

THE EQUITY IDEA IN ONE SENTENCE

When you buy a share of a company, all the people working in that company are also working for you — and a portion of every rupee of profit they generate flows back to you.

HOW COMPANIES GENERATE PROFIT

Let's look at Amara Raja Batteries Limited — the manufacturers of lead-acid batteries for industrial and automotive applications. Their business model: make batteries, sell them at a higher cost than manufacturing cost, make profit.

Revenue = total battery sales + maintenance services. **Expenditure** = raw materials + employee costs + taxes. **Net Profit** = Total Sales minus (Expenses + Interest + Taxes + Depreciation). This net profit is divided

by the total number of outstanding shares to arrive at **EPS — Earning Per Share.** Companies distribute a part of this EPS in the form of dividends to every shareholder. That is your cash flow as an investor.

CHAPTER FOUR · PART TWO

Stock Exchanges — NSE, BSE & How Trades Happen

From the fish market to the digital exchange.

The Marketplace for Ownership

To buy or sell vegetables, we visit a vegetable market. To trade stocks, we use a stock exchange. A company is an intangible object which exists on paper. All the personnel associated with a company work towards a common vision decided by the owners or board of directors. A profitable company generates profits, pays salaries, and distributes the remainder to its owners. But how is percentage of ownership decided when there are multiple owners?

The ownership is represented by **shares**. The total number of outstanding shares of a company is divided among individuals and institutions. Every shareholder is entitled to a portion of the profit — and, importantly, to the growth of the company over time.

WHY ISSUE SHARES AT ALL?

The purpose of issuing shares can be multifold: to raise capital for expansion, to make division of ownership mathematically clean, and to create an ownership effect amongst employees. When the remarkable idea of splitting a company into stocks was invented, the next challenge was — how do you find buyers and sellers? How do you get all interested parties on a common platform to carry out the trade?

Initially, stocks were bought and sold like items in a bazaar — written contracts on paper, exchanged between people. The process was cumbersome, tedious, and riddled with frauds. With the advent of technology, everything shifted online. Modern stock exchanges were born.

NSE AND BSE

In India, the two most prominent exchanges are the **National Stock Exchange (NSE)** and the **Bombay Stock Exchange (BSE)**. BSE, established in 1875, is one of the oldest exchanges in Asia. NSE, established in 1992,

is the larger of the two by trading volume. Companies needed a common platform for listing their shares. Stock exchanges solved that problem by bridging the gap between investors and companies.

A company must first list itself on the exchange — going through a rigorous process of financial disclosure and regulatory approval — before its shares can be traded. Generally, a company lists on both major exchanges. Some Indian companies are also listed on foreign exchanges so that global investors can participate. As an Indian investor, whenever you purchase shares, you have the option of buying from either NSE or BSE. In practice, prices are almost identical on both.

MARKET CAPITALISATION

Market Cap = Share Price × Total Number of Outstanding Shares. This is the total value the market is assigning to a company at any given moment. It is pertinent to mention that the day-to-day movement of the stock price is NOT affected by the company's operations directly. The company does not receive money when its stock is traded on the exchange — that money goes between buyers and sellers. What the company cares about is its long-term performance, because that determines dividends and the eventual valuation investors place on the business.

Why Companies Care About Stock Price

Even though the company doesn't directly receive money from daily trading, a higher stock price means employee ESOPs (stock options) are worth more — creating the ownership effect that retains and motivates talent. It also makes future capital raising cheaper. And the founders' own wealth is tied to it.

BROKERS — YOUR GATEWAY TO THE EXCHANGE

As an individual, you cannot directly walk into NSE or BSE and trade. You need a broker — a registered intermediary. Brokers provide you the platform (app or website) to place your buy and sell orders, which then go to the exchange for matching. The sole purpose of exchanges is to facilitate buyers and sellers so that demand and supply is matched and the transaction takes place. For every transaction the exchange charges a commission — making them a very lucrative and profitable business. Chapter 9 covers how to set up your broker account step-by-step.

CHAPTER FIVE · PART TWO

Mutual Funds — Kya Sahi Hai?

Let's find out what the ads don't tell you.

The Most Marketed Investment in India

Anyone who is inclined towards investing must have come across mutual funds. "Mutual Funds Sahi Hai" — the most successful financial marketing campaign in India's history. The mutual fund industry has grown exponentially in recent years, and because of extensive marketing it is expected to grow year on year. But before we decide if it is "sahi", let's understand what it actually is — and more importantly, who it is sahi for.

WHAT IS A MUTUAL FUND?

Equity mutual funds primarily invest in equities and stocks. For doing this, they pool money from thousands of investors and use it to buy a basket of stocks. A fund manager — a professional — decides which stocks to buy and when to sell. In theory, this sounds ideal for the average investor who does not have the time or knowledge to pick stocks themselves. In practice, it is pertinent to mention a few things the ads leave out.

THE FEE NOBODY TALKS ABOUT

Mutual funds charge an **Expense Ratio** — an annual fee deducted from your investment. This sounds small — typically 0.5% to 2.5% for regular plans — but let's see what it does to compounding over time.

Investment	Gross Return	Expense Ratio	Net Return	Rs 10L after 20 yrs
Regular MF Plan	14%	1.5%	12.5%	Rs 96L
Direct MF Plan	14%	0.5%	13.5%	Rs 1.13 Crores
Direct Nifty Index	14%	0.1%	13.9%	Rs 1.19 Crores

Illustration only. Actual returns vary.

A whooping difference of Rs 23 Lakhs — just from the fee. Now multiply that across crores of investors and you understand where the fund manager's exorbitant fees as lucrative salaries are coming from. That's not wrong — it's business. But as an investor, you need to know this number.

REGULAR VS DIRECT PLANS — THIS IS CRITICAL

Every mutual fund exists in two versions: **Regular Plan** and **Direct Plan**. Regular plans are sold through distributors (agents, banks) who earn a commission — which is built into the higher expense ratio. Direct plans cut out the middleman and are available on the AMC's own website or apps like MF Central, Groww, or Zerodha Coin. Same fund, same fund manager, same portfolio — but a lower expense ratio and therefore higher returns for you.

> *"If you are investing in mutual funds, always go Direct. Never Regular. The difference in returns, compounded over 20 years, is not small change — it is Lakhs."*

THE OVER-DIVERSIFICATION PROBLEM

Many equity mutual funds hold 50 to 100+ stocks. The logic is diversification — not putting all eggs in one basket. But there is a tipping point after which over-diversification becomes a safety net for the fund manager, not a growth engine for you. When a fund holds 80 stocks, the top 10 holdings barely make a dent in overall returns. The fund ends up performing close to the index — but charging you more than the index fund would.

Actively managed funds compete with each other — not necessarily to beat the index or to create wealth for investors. Their primary goal is popularity, so more people invest and their AUM (Assets Under Management) grows — and with it, their fee income. This is a structural incentive misalignment worth understanding.

WHEN MUTUAL FUNDS DO MAKE SENSE

It is pertinent to mention — mutual funds are not evil. For a person who genuinely has no time, no interest in picking stocks, but wants to participate in equity's long-term growth, a mutual fund is a reasonable vehicle. The key rules:

Rule 1: Always choose the Direct Plan — never the Regular Plan. **Rule 2:** For pure equity exposure, a Nifty 50 or Sensex Index Fund (passive fund) is more honest than most actively managed funds — lower fees, no stock-picking bias. **Rule 3:** Stay invested for at least 5–10 years. The magic of compounding doesn't work in months. **Rule 4:** SIP (Systematic Investment Plan) — investing a fixed amount monthly — is the most practical way for salaried individuals. The rupee-cost averaging it creates is genuinely powerful.

The Verdict

If you have the time to learn: invest directly in individual stocks. If you don't: invest in a Direct Plan Nifty 50 Index Fund via SIP. Either way, stay the course.

CHAPTER SIX · PART TWO

The Mutual Fund Illusion

Why the house always wins first — and what I did about it.

Let me tell you something that took me six years and a fair amount of money to fully understand.

Mutual funds are not designed to make you rich. They are designed to make the fund house rich. Your wealth creation is a byproduct — a happy accident that keeps you invested, which in turn keeps them profitable. This is not a conspiracy theory. This is simply how the business model works. And once you see it, you cannot unsee it.

Let's understand the structure first.

WHAT A MUTUAL FUND HOUSE ACTUALLY SELLS

When you invest Rs 10,000 in a mutual fund, that money goes into a pool managed by a fund manager. The fund house charges you an annual fee called the **expense ratio** — typically between 1% and 2.5% for actively managed equity funds. This fee is deducted from your NAV every single day, whether the fund makes money or loses it.

Here is the critical question. Does the fund house's income go up when your portfolio grows? Yes. Does it go down when your portfolio falls? Also yes — but only proportionally. The fund house never loses money on a bad year the way you do. If your Rs 10 Lakhs becomes Rs 8 Lakhs in a market crash, they still collect their 1.5% — now on Rs 8 Lakhs instead of Rs 10 Lakhs. A slight pay cut. Not a loss.

Their goal, therefore, is not maximum returns for you. Their goal is maximum Assets Under Management — AUM. The larger the pool, the larger the fee. This creates a set of incentives that are subtly but consistently misaligned with yours.

Interesting isn't it.

THE REGULAR PLAN ROBBERY

Most Indians who invest in mutual funds are in what is called a **Regular Plan**. You may not even know this. When your bank relationship manager recommended a fund, when your insurance agent suggested an SIP,

when an online platform pushed you towards a "recommended" scheme — they were almost certainly putting you in the Regular Plan.

Let's understand why this matters. Every mutual fund in India has two variants — a Regular Plan and a Direct Plan. The underlying portfolio is identical. The same fund manager. The same stocks. The same strategy. The only difference is this: the Regular Plan pays a commission to the distributor who sold it to you. That commission comes from your returns. The Direct Plan has no distributor, so the expense ratio is lower — often by 0.5% to 1% annually.

Half a percent sounds trivial. Let's see what it actually costs you over time.

THE 1% THAT QUIETLY ROBBED YOU

Plan	Expense Ratio	Net Return	Corpus After 25 Years
Regular Plan	1.8%	10.2%	Rs 1.26 Crores
Direct Plan	0.8%	11.2%	Rs 1.52 Crores

Difference: Rs 26 Lakhs — paid to a distributor, not to you. Rs 10,000/month SIP, 12% gross equity return, 25 years.

Rs 26 Lakhs. A quarter of a crore. Quietly extracted from your corpus over 25 years — not by bad performance, not by a market crash, but simply by the structure of the plan you were sold. It is pertinent to mention that the distributor who sold you this plan may be a genuinely well-intentioned person. The problem is not the person. The problem is the incentive structure they operate within.

THE CLOSET INDEXER PROBLEM

Here is another uncomfortable truth. The majority of actively managed large-cap funds in India do not beat their benchmark index over a 10-year period. SEBI data consistently shows this. The ones that do beat the index often do so by taking on higher risk — not superior skill.

Why does this happen? Because fund managers manage career risk, not just portfolio risk. If a fund manager makes a bold contrarian bet and it goes wrong, they lose their job. If they hold 40 stocks that largely mirror the Nifty 50, underperform by 1%, and lose clients some money — they keep their job, because everyone underperformed. This is called **closet indexing**. You are paying 2% per annum for a portfolio that behaves 85% like an index you could buy for 0.05% via an ETF. The math simply does not work in your favour.

MY OWN JOURNEY — WHAT SIX YEARS TAUGHT ME

I want to be careful here. I am not saying mutual funds are fraudulent, or that everyone who sells them is dishonest. I started my own investment journey through mutual funds — and I started it the right way.

In 2014, I consulted a **fee-only financial advisor**. This is an advisor who charges you a flat fee for their advice and takes zero commission from any product they recommend. On their recommendation, I began systematic SIPs in a diversified set of equity mutual funds.

For six years, I invested with discipline. However, by 2019 and into 2020, I had accumulated enough understanding of businesses and markets to start asking harder questions. Was I paying 1.5% annually for something I could now do better myself? Was the diversification across 35 funds actually reducing risk — or just ensuring mediocre average returns? Were the fund managers making decisions based on conviction — or based on what would protect their AUM?

By early 2020, I had my answers. I exited mutual funds entirely and moved to direct equity — building my own concentrated portfolio of businesses I had researched and understood. It was the most consequential financial decision I made since leaving the Navy.

However — and this is important — my story does not end there.

THE ONE EXCEPTION THAT EARNS ITS PLACE

In January 2026, I restarted a mutual fund SIP. One fund. One reason. Let me explain.

Parag Parikh Flexicap Fund — Direct Plan.

Most Indian equity funds are restricted by SEBI mandate to invest primarily in Indian stocks. This fund is different. It has regulatory approval to invest up to 35% of its corpus in international equities — primarily US technology companies like Alphabet, Meta, and Amazon. For an Indian investor, this is a genuinely rare feature. You get rupee-to-dollar exposure, hedging against INR depreciation, and participation in global technology compounding — all within the mutual fund wrapper, with the simplicity of a SIP.

The second reason is the fund's **cash management philosophy**. Unlike most equity funds that stay fully invested at all times, PPFAS has historically maintained 5–15% cash reserves. They deploy this cash aggressively during market corrections. The third reason is skin in the game: the Parag Parikh family has significant personal wealth in this very fund. When the fund manager eats their own cooking, their incentive structure aligns with yours.

It is pertinent to mention — even with this fund, I am in the **Direct Plan**. And it constitutes less than 5% of my total portfolio. The rest is direct equity, managed by me, built on the principles in this book.

THE FRAMEWORK GOING FORWARD

Mutual funds make sense when you are starting out and SIP discipline is the most important thing, or when you need international exposure unavailable through direct equity. In that case — only Direct Plans. Never Regular. And only funds where the manager has genuine conviction and personal investment in the fund.

Mutual funds do not make sense as your primary wealth creation vehicle once you have the knowledge, temperament, and time to build a direct equity portfolio. At that stage, you are paying an annual fee — compounding against you — for someone else to make decisions you are now capable of making better yourself.

The financial industry will tell you that investing is too complicated for the average person. That you need professional management. That the 1.5% fee is worth paying for the expertise.

Behold gentlemen — the entire premise of this book is a rebuttal to that claim.

> *"You don't need a fund manager. You need patience, a few good businesses, and the discipline to leave them alone."*

Exorbitant fees as lucrative salaries for fund managers are built on the idea that equity investing is a black art — complex, dangerous, inaccessible without professional guidance. It is not. It is a learnable skill. A patient skill. A skill that rewards the person who shows up, does the work, and stays the course.

Which, if you have read this far, is exactly who you are.

CHAPTER SEVEN · PART TWO

Trading is a Job. Investing is a System.

If the system needs you every day, you have bought yourself a job — not freedom.

The Distinction That Changes Everything

Before we go further, we need to address the most common detour new investors take. They read about the stock market. They get excited. They open a Zerodha account. And then — instead of buying a fundamentally sound business and letting compounding do its work — they discover F&O, intraday trading, commodity futures, and currency derivatives. They start "trading."

Let's understand what trading actually is — not as the internet sells it, but as it truly is. And let's understand why a person who wants to build wealth — not a second job — must recognise the difference between investing and trading before they put a single rupee at risk.

Investing is buying ownership of a fundamentally sound business and holding it long enough for compounding to work. The system runs without your constant presence. Dividends flow. Value builds. You check quarterly results. That is sufficient.

Trading is an attempt to profit from short-term price movements — buying low, selling high, within hours, days, or weeks. It requires your constant presence, constant analysis, constant decision-making. That is not a system. That is a job. And it is a job with no salary guarantee, no paid leave, and no employer to blame when things go wrong.

THE JOB NOBODY HIRED YOU FOR

A full-time trader — if we are being honest about what trading requires to be done properly — wakes up before the market opens at 9:15. He scans global cues: what happened overnight in the US markets, what the SGX Nifty is indicating, what RBI or Fed statements are due, what earnings are dropping today. He has multiple screens. Charts open across timeframes. Alerts set. Positions calculated.

At 9:15 he is at the terminal. He does not leave until 3:30. During those six hours and fifteen minutes, every movement in price demands an assessment — is this the breakout or a fake-out? Does this news change the trade? Should I book partial profits? Is this the stop-loss level?

Then the market closes. He reviews. He studies. He prepares for tomorrow. He sleeps — or tries to — with open positions in his head.

Let's ask a simple question: in the Navy, is a commanding officer who micromanages every sailor's task throughout the day a good CO? No. A good CO sets the mission clearly, places the right people in the right roles, builds the system — and then lets it run. The ship sails. He doesn't need to steer every moment.

A long-term equity portfolio is that ship. You set the allocation. You buy the right businesses. You review quarterly. The portfolio works through the night, through weekends, through your son's birthday, through your leave — without you. That is freedom. Trading is the opposite of freedom. It is the most demanding, most stressful, most thankless job you will ever volunteer for.

THE 90% NOBODY TALKS ABOUT

SEBI — the Securities and Exchange Board of India — published a study on retail participation in the Futures and Options (F&O) segment. The findings were stark: approximately 9 out of 10 individual traders lose money over any given 3-year period. Not break even. Lose. Real money. Gone.

The 10% who appear to "win" — when you factor in brokerage, taxes, the opportunity cost of their time, and the psychological cost of the stress — most are barely breaking even. The genuinely profitable traders are a fraction of a percent. And they are professionals — with systems, risk management frameworks, and institutional-grade tools that retail participants simply cannot access.

So why does everyone around you seem to know someone who "made a killing in F&O"? Survivorship bias. The winners are loud. They post screenshots. They start YouTube channels. They sell courses. The thousands who quietly lost their savings do not post about it. You are not seeing the full data. You are seeing the curated highlight reel of an activity that statistically destroys wealth for the majority who attempt it.

Retail F&O traders who lose money (SEBI study)	~89%
Consistent retail winners over 3+ years	Less than 1%
Sensex CAGR last 35 years (do nothing)	14% annually
Average retail trader net return after costs	Negative

YOU ARE PLAYING POKER AGAINST A COMPUTER

Here is the part that the trading education industry never tells you. On the other side of your buy order in the F&O market is not another retail investor like you. It is an algorithm. A quantitative trading system built by a financial institution, running on co-located servers inside the exchange building — physically close to the exchange's matching engine so the latency is measured in microseconds. It has processed global macro data since 3am. It has read the order book depth before you even opened your phone.

This algorithm knows where most retail stop-losses are clustered — because retail traders tend to place stops at predictable technical levels. It can, and does, probe those levels. The price "wicks" through your stop-loss, triggers it, and then reverses. You got stopped out. The algorithm collected your loss as its profit. This is not a conspiracy theory. It is the documented, legal reality of modern electronic markets.

Interesting isn't it — the entities who benefit from retail participation in derivatives markets are the brokers (every trade = brokerage), the exchanges (every trade = exchange fee), and the institutions on the other side of your trade. Not you.

THE HIDDEN TAX ON EVERY TRADE

Let's see the real cost of an active trading strategy. Every executed trade in India incurs: brokerage on both legs, Securities Transaction Tax (STT), exchange transaction charges, SEBI regulatory fees, GST on brokerage, and stamp duty. These charges are small individually. Together, on high-frequency trading, they compound into a significant drag.

But the biggest hidden tax is the income tax treatment. Short-term capital gains on equity held less than one year are taxed at 15%. Intraday trading profits are treated as business income — taxed at your slab rate, which for most earning individuals is 20–30%. Compare this to the long-term investor: equity held beyond one year attracts LTCG tax at just 10% on profits above Rs 1 Lakh per year.

Strategy	Gross Return	Costs + Taxes (est.)	Net Return
Active Intraday Trading	15%	~6–8%	7–9%
F&O Trading	20%	~8–10%	10–12%
Long-term Equity (SIP + Hold)	**14%**	**~0.5–1%**	**13–13.5%**

Illustrative. Actual figures vary. Tax treatment depends on individual circumstances.

A trader making 15% gross on paper is making 7–9% net in hand. The boring long-term equity investor making 14% gross keeps 13–13.5% of it. After 20 years of compounding, that difference is not a rounding error. It is crores.

WHAT DERIVATIVES WERE ACTUALLY BUILT FOR

It is pertinent to mention — derivatives are not inherently evil instruments. They were designed with a legitimate purpose. A wheat farmer who has planted his crop locks in a futures price today so that a price crash at harvest time does not wipe out his income. An airline buys crude oil futures to hedge against the risk of jet fuel becoming prohibitively expensive. A jeweller buys gold futures to lock in procurement costs for a wedding order six months away.

In each of these cases, the derivative is used as insurance — to reduce uncertainty in a real underlying business. That is the correct use. The moment a retail individual with no underlying business exposure enters the derivatives market to speculate on price movements — they are not hedging risk. They are manufacturing it. They have volunteered to be the other side of an institution's hedge.

> *"The purpose of a derivative is to transfer risk from someone who cannot afford it to someone who can. When a retail investor trades derivatives, they are volunteering to absorb risk that institutions are trying to shed."*

THE SYSTEM THAT DOESN'T NEED YOU

Here is the honest comparison. If you invest Rs 10 Lakhs in a Nifty 50 index fund and set up a monthly SIP of Rs 10,000 — and then largely leave it alone for 20 years — history suggests you will end up with approximately Rs 1.5–2 Crores, having invested a total of Rs 34 Lakhs. Your time investment: perhaps 10 hours per year reviewing statements and rebalancing. The system ran without you.

If you spend those same 20 years actively trading, devoting 6+ hours per day to markets — you have invested roughly 30,000 hours of your one finite life into an activity where 89% of participants lose money. Even if you are in the winning 11%, what is the hourly rate of return on 30,000 hours?

We want a system that grows money. Not a job that demands time in exchange for uncertain income. The equity market, through ownership of fundamentally good businesses, is one of the few systems available to the ordinary person that genuinely works — without requiring your constant presence. That is the system. Stay in it.

The Verdict — Plain and Simple

Trade if you want a second job with no salary guarantee, high stress, and a statistical probability of losing money. Invest if you want a system that compounds quietly in the background while you live your life. One of these builds wealth. The other consumes it — along with your time, your peace of mind, and occasionally your savings.

CHAPTER EIGHT · PART THREE

Reading a Company — The Due Diligence

Do the background check before you commit.

The Father's Background Check

In India, when a father searches for a groom for his daughter, he does not simply accept the first proposal that arrives. He does meticulous research. He asks: What is this boy's family background? What is his income? Does he have debt? What is his character under pressure? Does he have a track record of keeping commitments? Is his career growing, or stagnant?

He investigates thoroughly — not out of distrust, but out of love. Because his daughter's future is at stake. A wrong decision here, and years of compounded happiness are lost. A right decision, and the family flourishes for generations.

That is exactly how we should approach buying a share of a company. You are entering a long-term relationship with this business. Its performance will directly affect your financial future. So before you commit your hard-earned money, do the background check. Be the careful father. And the moment you realise that your selected equity was the wrong decision — the moment the fundamentals deteriorate beyond recovery — you wise up and you move. Best part of equity? No lock-in. The share doesn't know who owns it. Only you know how your shares are performing. The business doesn't care. You have to care for yourself.

Here are the five numbers that tell you everything you need to know about a company's financial character. All of this data is freely available on **screener.in** — no Bloomberg terminal required.

NUMBER 1 — REVENUE GROWTH

Is the company's total sales increasing year on year? Revenue is the topline — the starting point of everything. A company that is growing its revenue consistently at 10%+ over 5–10 years is expanding its operations, gaining market share, and proving its relevance to the world. Contrast this with a company that

has been flat or declining for 3+ consecutive years — that is a warning signal. The business is losing ground, and no amount of financial engineering can fix a fundamentally shrinking business.

NUMBER 2 — NET PROFIT MARGIN

Net Profit Margin = Net Profit ÷ Revenue × 100. This number tells you how much of every rupee of sales the company actually keeps after paying all its expenses — raw materials, salaries, interest, taxes, everything. A company with a 20%+ net profit margin has strong pricing power and an efficient operation. Below 5% is a thin-margin business — one bad quarter, one raw material price spike, and it turns loss-making. Interesting isn't it — higher margin businesses compound wealth faster, because more of each rupee of growth flows directly to the bottom line.

NUMBER 3 — RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE = EBIT ÷ Capital Employed × 100. If there is one single ratio worth understanding, this is it. ROCE tells you: for every Rs 100 of capital deployed in this business, how much profit is being generated? A ROCE consistently above 15–20% means the management is an efficient deployer of capital. Think of it as the return on your "investment" within the business itself. Amara Raja Batteries has maintained strong ROCE over many years — which is precisely why long-term investors in that business have been well rewarded.

NUMBER 4 — DEBT TO EQUITY RATIO

Debt to Equity = Total Debt ÷ Shareholders' Equity. Just as you would not want your daughter marrying a man drowning in loans, you should not own companies drowning in debt. Debt amplifies both gains and losses. A highly leveraged company during an economic downturn can go from profit to bankruptcy faster than you can react. As a general rule: look for D/E below 1 for most companies. For capital-intensive businesses like infrastructure or power, slightly higher is acceptable — but it must be accompanied by consistent cash flows to service that debt. Debt with no cash flow coverage is a time bomb.

NUMBER 5 — DIVIDEND HISTORY

A company that has paid and grown its dividend consistently for 10+ years is telling you something important: "We generate real cash, year after year, and we respect our owners enough to share it." Dividend history is a proxy for management integrity and business predictability. Any company can claim profits on paper. Cash dividends cannot be faked — they require actual money in the bank. Look for a 10-year dividend track record. Stable and growing is what you want. Erratic or zero dividends for a supposedly profitable company is a question worth asking.

1. Revenue Growth (10-yr)	**Look for 10%+ annually**
2. Net Profit Margin	**Higher is better; 15%+ preferred**

3. ROCE	15–20%+ = efficient management
4. Debt to Equity	Below 1.0 preferred
5. Dividend History	Consistent + growing = real business

THE P/E RATIO — A BONUS NUMBER

Price to Earnings (P/E) = Stock Price ÷ EPS. It tells you how many years of current earnings you are paying for today. A P/E of 20 means you are paying 20 years' worth of current earnings. Is that cheap or expensive? It depends entirely on the growth rate. A company growing at 25% per year deserves a premium P/E over one growing at 5%. Always compare a company's P/E to its sector peers — never to companies in different industries.

WHEN TO WALK AWAY

Look around and identify which industry is making crazy money. What are the goods and services being enforced on people? What are the goods and services necessary for the people — finance, insurance, healthcare, telecom, energy? Then find the best company within that industry. And once you own it, keep doing the background check every quarter. If the fundamentals deteriorate — revenue declining for two consecutive years, ROCE falling below 10%, debt spiraling — reassess without emotion. Remember: the share doesn't know who owns it. Only you know how your investment is performing. Move when the data tells you to move. Not before. Not after.

> *"Look around and identify which industry is making crazy money. Find the best company within that industry — then own it like a business owner, not a stock trader."*

CHAPTER NINE · PART THREE

The Inner Game — Behavioral Psychology

Knowledge is not the barrier. Psychology is.

Why Smart People Lose Money

You have read this far. You understand compounding. You know equity beats gold over time. You understand what a company is, how exchanges work, how to read a balance sheet. So why doesn't everyone invest and become wealthy? Because knowledge is not the barrier. **Psychology is.**

The enemy is not the market. The enemy is the person staring back at you in the mirror every morning. The market is a neutral machine that transfers money from the impatient to the patient, from the emotional to the disciplined, from those who react to those who act with intention. Let's understand the four psychological traps that destroy investor returns — and how to beat each one.

TRAP 1 — FEAR DURING A CRASH

The market falls 30%. Your portfolio shows deep red. The news channels are apocalyptic. Every WhatsApp forward says "markets will never recover." Your relatives are calling to say they told you so. Everyone around you is selling. What do you do?

The correct answer — counterintuitive as it sounds — is to buy. Behold the truth that history has proven without exception: every single market crash has recovered. (Chapter 8 presents this data in detail.) A crash is not a catastrophe. A crash is a **sale**. The companies you wanted to buy at Rs 1,000 are now available at Rs 700. The business hasn't changed. The earnings haven't changed. Only the price has — because fear is temporarily irrational. Yet most investors sell during a crash, locking in losses, and buy again only after the recovery when prices are back up. They buy high and sell low. The exact opposite of what creates wealth.

TRAP 2 — GREED DURING A BULL RUN

The market is up 40% in a year. Your portfolio is green everywhere. Your neighbour started investing three months ago and is already "making money." New investors are pouring in. Everyone at the family dinner table is now an expert. Stocks that make no business sense whatsoever are doubling in a month.

This is the danger zone. When everyone is talking about the stock market at parties — that is usually the signal that valuations have run ahead of fundamentals. The late entrants into a bull run are almost always the biggest losers when it ends. The correct action: review your portfolio, rebalance to your target allocation (Chapter 10), and **do not chase momentum.** The discipline of rebalancing forces you to sell high — exactly what you should be doing.

TRAP 3 — ANCHORING BIAS

You bought a stock at Rs 500. It fell to Rs 350. You tell yourself: "I'll sell once it comes back to Rs 500." This is anchoring — an irrational attachment to the price you paid. The market does not know what you paid. It does not care. The relevant question is never "will it recover to Rs 500?" The relevant question is: **"Given what the company is doing today, is Rs 350 a good price to buy, hold, or sell?"**

Answer that question with the five numbers from Chapter 6. If the fundamentals are intact and the price is lower, that is a buying opportunity — not a time to panic. If the fundamentals have deteriorated, then the right decision is to sell — not wait for a Rs 500 that may never come. Forget your cost price. It is irrelevant to the future of the business.

TRAP 4 — CHECKING YOUR PORTFOLIO EVERY DAY

This is perhaps the most common and most damaging mistake. The stock market is designed to be volatile in the short term. Daily price movements are noise, not signal — they tell you nothing about the health of the underlying business. If you check your portfolio daily, you will react to noise. You will feel compelled to do something. And in investing, the hardest and most profitable thing is usually to **do nothing**.

Set a rhythm: check quarterly results when they are published. Review your portfolio allocation once a month. Check dividends when they are declared. That is all the attention your portfolio needs. Everything else is distraction designed to make you trade more — which benefits brokers, not you.

THE SIP DISCIPLINE — AUTOMATING PSYCHOLOGY

The beautiful thing about a Systematic Investment Plan (SIP) is that it removes psychology from the equation entirely. You set a fixed date, a fixed amount, and the money moves automatically every month — whether the market is up, down, or sideways. You are not making a decision. The system is making it for you.

When the market falls, your fixed SIP amount buys more units at lower prices. When the market rises, it buys fewer units at higher prices. Over time, this rupee-cost averaging evens out your entry price and removes the paralysis of trying to "time the market." As we know, time in the market always beats timing the market.

THE BEHAVIORAL EDGE

The investor who controls his psychology has an enormous edge over the majority of the market. Most people — including institutional fund managers — buy high, sell low, chase trends, and let emotions drive decisions. If you can simply **do the opposite of the crowd** at the two extremes — buy during crashes, stay calm and rebalance during bull runs — you will outperform most investors without needing superior analytical skills.

This is not easy. I will not pretend it is. Watching your portfolio drop 40% requires immense conviction. But that conviction comes from one place only: understanding the underlying business. If you know why you own a company and you believe in its long-term trajectory, short-term price movements become noise. That is the ownership mindset — and it is the single most powerful edge available to the individual investor.

> *"Buy businesses, not share prices. An owner of a business doesn't panic every day because the market's mood changed. He asks: is the business still fundamentally sound? If yes — stay the course."*

CHAPTER TEN · PART THREE

Market Crashes Are Gifts — History Proves It

Every single crash in history recovered. Every single one.

Let's See What History Says

The biggest fear every new investor carries is: "What if the market crashes and never recovers?" Let's address that fear with the most powerful tool available — data. Every generation of investors faces at least one crash that feels like the end of the world. Every generation of patient investors who stayed in, came out wealthier on the other side.

1929

The Great Depression, USA. The Dow Jones fell 89% from its peak. Banks collapsed. Unemployment hit 25%. Economists declared it the end of capitalism.

✓ Recovery: Dow Jones reached its 1929 peak again by 1954. Investors who reinvested during the crash made a fortune on the recovery.

1992

Harshad Mehta Scam, India. The Sensex crashed 40% in weeks after the massive securities fraud was exposed. Investor confidence evaporated overnight.

✓ Recovery: Sensex recovered and went on to multiply many times over in the following decade.

2000

The Dot-Com Bubble Burst, Global. NASDAQ fell 78% from peak to trough. Technology companies that had never made a rupee of profit were wiped out entirely.

✓ Recovery: Fundamentally good businesses — Microsoft, Amazon — survived and became the most valuable companies in the world.

2008

The Global Financial Crisis. US housing bubble burst. Lehman Brothers collapsed. Global markets fell 50–60%. The Sensex fell from 21,000 to 8,000.

✓ Recovery: Sensex recovered to 21,000 by 2013 and went on to touch 60,000+ by 2021. Investors who bought at 8,000 made a whooping 7.5X return.

2020 **COVID-19 Pandemic Crash.** The fastest crash in history — Sensex fell from 41,000 to 26,000 in just 28 days. Entire economies shut down globally.

✓ Recovery: Sensex was back above 41,000 by December 2020 — nine months later. By October 2021, it crossed 60,000. Investors who bought in March 2020 doubled their money in under two years.

> *"A crash is not a catastrophe. It is a sale. The question is not 'should I sell?' The question is 'do I have cash to buy?'"*

THE PATTERN IS CLEAR

Look at that data. Every. Single. Time. The market crashed. Every single time it recovered. And every single time, the investors who had conviction — who understood what they owned and why — came out significantly wealthier than those who panicked and sold.

The investors who lost permanently were those who sold at the bottom and never bought back in. They converted a temporary paper loss into a permanent real loss. They let fear make their financial decisions. Do not let fear make your financial decisions.

WHAT TO BUY DURING A CRASH

When the market falls 30–40%, everything goes on sale — the good and the bad together. This is the time to be selective and deliberate. The question is not "should I buy?" The question is "what should I buy?" Go back to Chapter 6. Companies with strong ROCE, low debt, consistent dividends, and growing revenue are the ones that will not just recover — they will emerge stronger. Weak companies with high debt may not survive. During a crash, quality matters more than ever.

It is pertinent to mention: do not wait for the "exact bottom" to buy. No one catches the exact bottom — not even the best investors in the world. Buy in tranches. Deploy 25% of your available cash when the market is down 20%. Another 25% when it is down 30%. Another tranche at 40% down. This systematic approach removes the paralysis of trying to time the perfect entry.

THE TRAP OF WAITING FOR A CRASH

As we know, there is one more trap worth mentioning. Some investors read this chapter and decide: "I will not invest now. I will wait for a crash." They hold cash for months, sometimes years, waiting for the perfect buying opportunity. Meanwhile, the market climbs 25% in a year. Their cash loses purchasing power to inflation. They have missed the compounding window.

The correct approach: invest regularly (SIP), maintain your 30% debt allocation as ammunition, and when a crash arrives — deploy it. You are always participating in the market's growth, and you always have dry powder for the inevitable sale.

THE INDIA STORY

Sensex: 561 in January 1986. 59,744 in October 2021. That is a **100X return in 35 years** — despite the 1992 scam, the 1999 Kargil war, the 2001 dot-com bust, the 2008 global financial crisis, demonetisation, GST rollout, COVID-19, and every other crisis that seemed like the end of the world when it was happening. The market always recovers. India always grows. It is just a matter of time — and your patience.

The Only Thing Required

You don't need to predict crashes. You don't need to time the market. You only need to do one thing: **Stay the Course.** Stay invested in fundamentally good businesses. Add during crashes. Rebalance during bull runs. And give compounding the time it needs to do its quiet, relentless work.

CHAPTER ELEVEN · PART FOUR

How to Actually Buy a Stock

Step by step. No jargon. Day 1 starts here.

The Practical Guide

Enough theory. Let's understand the mechanics of actually buying a stock in India. The entire process takes one to two days and requires only your PAN card, Aadhaar, and a bank account. Let's see how it works, step by step, using Zerodha as an example — my personal recommendation for its simplicity, low costs, and reliable platform.

1. **Open a Demat + Trading Account**

   Go to zerodha.com. Click "Open Account." Fill in your details: PAN, Aadhaar, bank account. Complete the eKYC process digitally. This takes 15–30 minutes. Account activation: 24–48 hours. Zerodha's Kite platform is clean, fast, and reliable — and at Rs 20 flat per executed order, the charges are minimal compared to old-school full-service brokers.

2. **Fund Your Account**

   Link your bank account to the trading account. Transfer funds via UPI, NEFT, or IMPS. The money sits in your trading account — uninvested until you deploy it. Start with an amount you are genuinely comfortable with — even Rs 5,000 is a legitimate starting point. The psychological experience of placing your first trade is more valuable than the amount.

3. **Build Your Watchlist First**

   Before buying a single share, build a watchlist of 5–8 companies you understand — businesses whose products or services you use in daily life. Go to screener.in and pull up the five numbers from Chapter 6 for each one. Study the 10-year data. Make notes. This is the background check. Only after you have done this — and you understand why you want to own this business — should you proceed to buy.

4

Search and Place the Order

In Zerodha Kite, search for the company's NSE ticker symbol. Example: "INFY" for Infosys, "HDFCBANK" for HDFC Bank. You will see the live price, chart, and basic data. **Limit Order:** You specify the price you want to buy at — the order executes only when the stock reaches that price. This gives you price control. **Market Order:** Buy at the current market price instantly. For large-cap Nifty 50 stocks with high liquidity, a market order is perfectly fine.

5

Confirm, Then Step Away

Once executed, the shares appear in your Demat portfolio. You now own a piece of that business. Now — step away. Do not watch the price move. Review quarterly results when published. Check your portfolio allocation once a month. Set up alerts for dividend declarations and major corporate announcements. That is sufficient. The work is mostly done before you buy — not after.

UNDERSTANDING SCREENER.IN — YOUR DUE DILIGENCE TOOL

Screener.in is the most useful free tool available to the Indian investor. Search any listed company, and you will find 10+ years of financial data — revenue, net profit, ROCE, debt levels, dividend history, and more. Learn to navigate it. The Peer Comparison tab shows how the company stacks up against its sector competitors. The Quarterly Results tab shows the most recent earnings. The Concall section has management commentary from quarterly earnings calls — read these to understand what the management is saying about the business. Knowledge compounds just like money does.

ABOUT CHARGES

Zerodha charges Rs 20 per executed order (flat fee). Annual Demat maintenance: approximately Rs 300–600. Securities Transaction Tax (STT): 0.1% on delivery trades, charged by the government. Long Term Capital Gains (LTCG) tax: 10% on equity gains above Rs 1 Lakh in a financial year for holdings above 1 year. Once your portfolio grows — and it will — these charges become inconsequential. Do not let small fees prevent you from starting. Starting is the only thing that matters.

Brokerage per trade	Rs 20 flat (Zerodha)
Annual Demat maintenance	Rs 300–600 / year
STT on delivery trades	0.1% of trade value
LTCG Tax (holding >1 year)	10% on gains above Rs 1L / year
Minimum investment	One share — as low as Rs 1 for some stocks

THE PSYCHOLOGICAL FIRST TRADE

There is something that happens when you place your first buy order and see those shares arrive in your Demat account. Something shifts. You are no longer reading about investing — you are an investor. You are an owner of a piece of a real business. The emotional weight of that first ownership is real, and it is the beginning of a very long, very rewarding journey.

The journey of investing in the stock market is unique for every individual. Every one carves his own way. But the first step — opening an account, doing the background check, and placing that first order — must happen. Everything else follows from that one moment of commitment.

> *"The first order placed is worth more than ten books read. Theory is preparation. Action is the teacher."*

CHAPTER TWELVE · PART FOUR

Your First Portfolio — Where to Begin

The goal is not the perfect portfolio. The goal is to start.

The Starting Framework

You have the knowledge. You have the account. Now — what do you actually buy? This is the question every new investor freezes on. Let's not freeze. Let's see a practical starting framework that you can execute this week.

With experience, every individual will arrive at their own comfortable ratio and style. But for starting, a clear framework prevents paralysis. Here is mine — built from 14 years of real investing, not theory.

THE 70 / 30 RULE

Start with a simple allocation: **70% in Equity, 30% in Debt** (liquid — money market funds, short-term FDs, or simply in your savings account earmarked as investment capital). This is not just a conservative measure. The 30% debt is your **ammunition**.

30% Debt / Liquid

Here is how the rebalancing works: When the market crashes 30–40%, sell the debt and deploy it into equity. Your equity allocation rises to 85–90%. When the market recovers and runs into bull territory, slowly trim equity back to 70%. You are never more than 30% in debt at any steady state — that 30% is the signal and the tool for rebalancing. This approach means you are systematically **buying low and selling high**, without needing to predict a single market movement.

WHAT TO BUY — THE BEGINNER'S PATH

For pure equity beginners — those who are still learning to read companies — **start with a Nifty 50 Index Fund (Direct Plan) via SIP.** This gives you exposure to the top 50 companies in India, diversified across all

major sectors, for as little as Rs 500 per month. You will track the Nifty almost exactly, at a cost of 0.1% per year. No fund manager risk. No stock-picking pressure. Pure, clean equity exposure.

As you build your knowledge — reading company reports, understanding businesses sector by sector — gradually allocate a portion to individual stocks that you have researched using the five numbers in Chapter 6. There is no rush. An investor who starts with index funds and transitions to individual stocks after 12–24 months of learning is in a far stronger position than one who jumps into individual stocks without preparation and gets burned.

SECTOR DIVERSIFICATION — SPREADING THE RISK

Once you begin picking individual stocks, think in sectors. Do not put 80% of your equity allocation into one sector — even if you are very confident about it. A well-constructed equity portfolio typically covers 4–6 sectors: **Financial Services** (banks, NBFCs — the backbone of the Indian economy), **Consumer Goods** (FMCG, paints, retail — businesses that benefit from India's growing middle class), **Healthcare & Pharma** (defensive, always needed), **Technology** (IT services — India's global advantage), and one or two **sector-specific bets** based on your own research and conviction. Diversification across sectors means one bad industry year does not devastate your entire portfolio.

WHEN TO SELL — THE FRAMEWORK

Most new investors spend all their energy on when to buy. The harder and more important skill is knowing when to sell. Here is the framework: sell when the **fundamentals have genuinely deteriorated** — not when the price has fallen. Sell when you find a significantly better opportunity and need to free up capital. Sell when your original investment thesis has been proven wrong. And sell, partially, when a stock has become disproportionately large in your portfolio — rebalancing back to your target allocation.

What you should NOT do: sell because the price fell 15% and it made you uncomfortable. Sell because a news article scared you. Sell because the market is correcting. These are emotional exits, not rational ones. As we know, the business and its fundamentals — not the daily price — are what you own.

THE RIGHT MINDSET — OWNERSHIP FIRST

Adopt the **Ownership Mindset**. You are not buying a ticker symbol that flickers on a screen. You are buying ownership of a real business. Think like a business owner — long-term, fundamental, patient. Behavioral control — buying when everyone is selling, rebalancing when everyone is euphoric — is the key to winning this game. Not intelligence. Not timing. Behavior.

Portfolio Checklist — Day 1

1. Open Demat account (Zerodha recommended)
2. Decide your investible surplus — capital you can park for 5+ years

3. Keep 30% liquid (savings / liquid fund) — this is your crash ammunition
4. Deploy 70% into a Nifty 50 Index Fund (Direct Plan) via SIP
5. Set a monthly SIP date and never cancel it — this is your discipline
6. Build your watchlist on screener.in — study 5 companies you understand
7. Review quarterly results, not daily prices
8. When the market crashes: buy. When everyone is euphoric: rebalance.
9. Stay the course.

No matter what, keep adding money into investments. A rupee saved is a rupee ready to compound. The sooner you start, the more time compounding has to do its quiet, relentless work. And it will do its work — with or without your attention. Your only job is to not get in its way.

A Letter to My Son

May 2026

Avyaansh,

Money is not the goal. Freedom is. The freedom to wake up and choose how you spend your day — that is what compounding quietly buys you, one year at a time. Equity is the most honest vehicle I have found for that freedom. It requires no physical presence, no field work, no location. Just ownership, patience, and conviction.

Three things I want you to remember above everything else in this book.

First — compounding is felt first and seen later. The early years will feel slow. Do not let impatience rob you of decades of growth. Give it time. The numbers in Chapter 1 are not theory. They are your future.

Second — the market will scare you. Every crash will feel like the end. It never is. India: 100X in 35 years, through wars, scams, pandemics, and every crisis that seemed unsurvivable at the time. History is your answer every time fear whispers.

Third — the share doesn't know who owns it. Only you know how your investments are performing. The market doesn't care about you. No one does — except you, and me. So care for yourself. Stay the course, quietly, and let compounding do its relentless work.

> *I wrote this book so that when you are old enough to read it, you do not start from zero. You have a head start. A long one. Use it wisely. Use it to help others.*

Har Har Mahadev. ▯

— Your Dad

The Reading List — Upen's Picks

These are the books that shaped my investing philosophy. Start here. Each one will teach you something the market alone never could.

01 Rich Dad Poor Dad — Robert Kiyosaki

The book that rewires how you think about money, assets, and liabilities. The framework here is simple but powerful. Read this first, before anything else.

02 One Up on Wall Street — Peter Lynch

The best argument for why the ordinary investor — who notices great products and businesses in daily life — has an edge over Wall Street analysts. Practical, witty, full of examples.

03 The Intelligent Investor — Benjamin Graham

The bible of value investing. Dense but worth every page. Warren Buffett calls it the best investing book ever written. Read chapters 8 and 20 first — they alone are worth the entire book.

04 Stocks to Riches — Parag Parikh

Written for the Indian investor by one of India's finest fund managers. Covers behavioral psychology of investing in an Indian context better than any foreign book can.

05 The Dhandho Investor — Mohnish Pabrai

A Gujarati-American investor explains Warren Buffett's principles through the lens of Indian business families. "Heads I win, tails I don't lose much" — this phrase alone is worth the read.

— Bonus: William Ackman on YouTube

"Everything You Need to Know About Finance and Investing in Under an Hour" — Big Think. Watch this before you read any of the above. It lays the perfect foundation in 60 minutes.

Glossary — Plain English

Every term used in this book, defined in one line. No jargon left unexplained.

Asset Class

A category of investment — stocks, gold, real estate, bonds, etc. Each has different risk and return characteristics.

BSE / NSE

Bombay Stock Exchange and National Stock Exchange — India's two main exchanges where shares are listed, bought, and sold.

CAGR (Compound Annual Growth Rate)

The annual rate at which an investment grows, accounting for compounding. The most honest way to compare returns across time periods.

Compounding

Earning returns on your returns. Principal earns interest; that interest earns more interest. Given enough time, this creates exponential growth.

Demat Account

A dematerialised account that holds your shares in electronic form — the equivalent of a bank account, but for stocks.

Dividend

A portion of a company's profit distributed to shareholders — your cash flow as an investor, without selling a single share.

EPS (Earnings Per Share)

Net profit divided by total number of shares. Tells you how much profit each share generated in a given period.

Equity

Ownership in a company, represented by shares. When you buy a share, you own a piece of that business.

Expense Ratio

Annual fee charged by a mutual fund, expressed as a percentage of your investment. Lower is always better.

FIRE

Financial Independence, Early Retirement. Building enough passive income through investments to no longer need active employment.

Index Fund

A mutual fund that passively tracks a market index (Nifty 50, Sensex). Low cost, broad diversification, no stock-picking bias.

IPO (Initial Public Offering)

When a private company offers shares to the general public for the first time on a stock exchange.

LTCG (Long Term Capital Gains)

Tax on equity profits held for more than 1 year. Currently 10% on gains above Rs 1 Lakh per financial year.

Margin of Safety

Buying a stock at a price meaningfully below its intrinsic value, creating a buffer against being wrong. Benjamin Graham's core concept.

Market Cap

Total market value of a company = Share Price × Total Shares Outstanding. A measure of company size and market valuation.

P/E Ratio (Price to Earnings)

Stock price divided by EPS. How many years of current earnings you are paying today. A tool for relative valuation.

ROCE (Return on Capital Employed)

How efficiently a company uses its capital to generate profit. Above 15–20% consistently signals a high-quality business.

Sensex

BSE Sensitive Index — tracks India's 30 largest, most actively traded companies. Primary benchmark for the Indian market.

SIP (Systematic Investment Plan)

Investing a fixed amount in a mutual fund at regular intervals. Builds discipline and benefits from rupee-cost averaging.

Tailwinds

Favourable macroeconomic or industry conditions that help a business grow with less effort — like a rising tide lifting all boats.

THE ECOSYSTEM

Continue Your Journey at icanbefitter.com

This book is the beginning. The platform is where the real journey continues — fitness, finance, and technology. Built by one man, for his son, and for everyone who wants to become 100x.

PHYSICALLY

Calisthenics, handstands, strength — the original discipline that started it all. Training guides, workout plans, and real transformation stories.

icanbefitter.com/physically

FINANCIALLY

What you just read — and more. Premium guides, investment frameworks, and the unfiltered financial journey of a Naval officer who built it himself.

icanbefitter.com/financially

TECHNICALLY

AI, systems, and building for the future. How technology gives every individual an unfair advantage — no degree required.

icanbefitter.com/technically

AVYA — YOUR AI FITNESS COMPANION

Named after Avyaansh, Avya is an AI fitness coach trained on the principles and methods of icanbefitter.com. Available 24/7. Ask it anything — workouts, nutrition, habit formation, or how to start from zero. Visit icanbefitter.com/ai-lab

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Har Har Mahadev 🕉