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Title : TIPS FROM SHANKAR SHARMA - How You can Earn VC-Type Returns from Stock Market

Author : Amit Mudgill

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TIPS FROM SHANKAR SHARMA

# How You can Earn VC-Type Returns from Stock Market

Amit.Mudgill@timesinternet.in

ETMarkets.com: Ace investor Shankar Sharma says while luck is key in stock investment and on any given day 80-90% of investing success depends on it, still there are ways to make venture capital-type returns in the stock market.

Speaking at the Morningstar conference in Mumbai, Sharma listed out some easy tips to earn VC-type returns in the stock market. "It is eminently possible," he insisted.

First, he said, a stock must be at a multi-year low. "Look at the negative momentum in stocks, which can help you identify the right one."

One should not go with the tide. If a stock is in the bull phase, then chances

## IN AN OVERWEIGHT STOCK

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es are one might have missed a large part of the rally and the upside will be limited.

The other criteria, the vice-chairman of First Global said, is that one should try a stock when it is loss-making or near loss-making.

"So there is one end of our thinking which is the momentum part. But we look at negative momentum. I not talking months, years is what we want. So that is the mantra number one. The stock should be preferably



loss or near loss making. So, we do not like profitable companies."

What goes up must come down, goes the saying. The opposite also generally holds true. If a company has a clean management and has potential to come out of trouble, the stock of that company could offer higher returns in the long term.

Sharma said a stock which is underweight within its sector tends to do better. "The index is the game of manipulation wherein overhyped companies, because of high market caps, make their way into it and the companies which have actually dropped in terms of market cap are removed from it. Usually, you will find that those are the tops and bottoms for most of those stocks," Sharma said.

"So we look at it in the reverse that we are looking at a company which has the lowest weight it has ever occupied in its own sector." One should not fancy the crowded space. In an overweight stock, when the chances of big institutional investors putting in additional money go down, the stock tends to languish.

The fourth criteria is to look for 'just one' spark. iPod was the trigger for Apple. For Tata Motors, it was new JLR launch. "When I saw the JLR cars, I thought that these cars are enough for the company to get market share from a very low base. Hopefully then if they get that market share, the number that I came with was \$500 million of profit. It a big swing from a billion dollar loss to a \$500 million profit."