THE INVESTMENT GAME: HOW TO WIN by Prasanna Chandra,Tata McGraw-Hill Publishing Company Ltd., New Delhi, pp. 229

Professor Prasanna Chandra, the prolific writer in the area of Finance, has come out with yet another book titled 'The Investment Game: How to Win'. The objective of the book, as stated in the Preface, is to explain " the basic of investment analysis and management in a single and relatively non-technical language" to the uninitiated. He has succeeded to a great extent in achieving the basic objective.

The book is divided into three parts. Part one provides the 'Investment Setting' by explaining the different (but not mutually exclusive) approaches to investment decision-making, Risk-Return framework and the spectrum of Investment avenues ranging from precious stones to Public Provident Fund, Fixed Income Securities to variable Income Securities etc.

Part two contains 'Investment Analysis'. This includes Financial Statement Analysis and analysis of Fixed Income Securities such as Non-convertible Debentures, Income-based units of Mutual Funds etc. This is followed by the approaches to valuation of equity shares in a simple manner without diluting much of the rigour. There is some degree of overlap between the author's best selling book *Financial Management: Theory and Practice* and the first two parts of the book under review. Some element of repitition occurs (may be to drive home the points better) in different chapters of the book.

In the final part of the book, viz., Investment Management, the author is at his best. To my knowledge (limited as it may be), no other Indian book has compressed so much useful material in so elegent a manner in so few pages. The chapter on 'Insights from Modern Research' is laid out in a lucid manner appealing to even a layman of average intelligence. Besides providing a unsystematic risks, Capital Asset Pricing Model and its implications the chapter contains a numerical illustration based on the shares of ACC, Asian Paints and the Share Price Index of *The Economic Times*. The chapter on 'Investment Management Framework' bears testimony to the author's erudition, experience and expertise. Tabular presentations on the evaluations of Investment avenues, guidelines for Asset-Mix Decisions, Portfolio Strategy Matrix and Levels of Market Efficiency and Approaches to Security selection are the author's unique contributions. The final chapter 'Investment Decisions - Action Guidelines' will be of greater interest to the large majority of middle-class investors. A step by step analysis towards the building-up of a Portfolio, monitoring its performance and making suitable revisions in the portfolio will be of immense help to all the investors, big or small.. The glossory at the end provides the meaning of certain technical terms the author is impelled to use in the text.

The following comments may be of some use to the author at the time of preparing a second edition (which may not be far off thanks to the policy changes that are introduced and/or in the process of introducing in the management of National economy)

The last item in Exhibit 2.2 (P.40) reads as "Combination of unweighted geometric mean and weighted arithmetic average". Even a reasonably intelligent layman will get more confused than enlightened by reading it. This may be explained in a foot-note for better understanding.

In the chapter on Financial Statement Analysis Exhibits 4.2 and 4.3 may be replaced by Exhibit 4.5 and 4.4 respectively. This will save the space for better utilisation and provide unambiguous (especially in Income Statement) representation of the Final Accounts from the layman's point of view. On page 94 the denomination in the total assets turnover ratio should be 57.9 instead of 57.1. From a purely theoretical stand point the numerator in the Operating Profit margin ratio should be the OPBIT (ignoring non-operating surplus deficit) instead of EBIT as the latter gets affected by non-operating surplus/deficit. The meticulous tabular presentation of NSS Deposits in Exhibit 5.5 will only be of limited use as 80CCA benefit has since been withdrawn.

In the chapter on 'Valuation of Equity Shares' the author has related the EPS to 'Book Value per share' and 'Return on Equity' in an ingenious manner. However, the discount rate established as the sum of Risk-free rate of return and Risk premium is not theoretically sound. This is so because "this method assumes that risk increased with time at a constant rate" (vide, *Financial Management: Theory and Practice* by Prasanna Chandra). Further, it is stated that "The Risk-premium for an equity share should reflect financial risk (measured by Debt-equity ratio), Business risk (measured as the variability of earning power), and volatility of prices. Debt-Equity ratio is not a good measure of financial risk (see for example, *Corporate Debt Capacity* by Garden Donaldson). The volatility in prices is caused by the perceptions of Business and Financial Risks (besides mass psychology) and need not be considered as such. The author may consider using the variability and/or coefficient of variation of PAT as a composite measure of risk as it subsumes both Business and Financial Risks.

Rule 4(a) states that "the higher the retention ratio, other things being equal, the higher the intrinsic value be" (p.121). This rule may appear inconsistent with the popular belief (not without theoretical under-pinnings) that the lower the retention ratio (or the higher the divident pay-out ratio) the higher would be the intrinsic value. The justification given for Rule 4(a) in the foot note is not convincing enough. The clue for this anomaly is contained in the phrase 'other things being equal'. When confronted with highly profitable investment opportunities the shareholders, being rational, may opt for a higher retention (or lower pay-out) ratio as this is going to increase the intrinsic value. This behaviour is prompted more by the 'investment effect' than by the 'dividend effect'.

The implications of Sharpe's Index and Treynor's Index from the point of view of performance evaluation and subsequent revision of the Portfolio should have been elaborated.

In Exhibit 10.1 (P. 200), P_2 and P_1 should read as P_1 and P_2. This due to a typographical error.

Unlike other books with catchy titles such as How to become a millionaire in the Stock Market, Professor Prasanna Chandra's book is both simple and down-to-earth. Whether the reader of this book can 'win' in the Stock Marker or not, the author will certainly win the hearts of the host of its readers.

— N. Krishna Rao