Mohnish Pabrai's Q&A at Oxford University – Oxford Alpha Fund on November 21, 2023

Ash: Without further ado, I would like to welcome you, Mohnish. It is very nice to meet you. My name is Ash. I am from the Oxford Alpha Fund and I am here with the co-president, Saketh, also from the Oxford Alpha Fund. At OAF, we are a premier student investment society here at Oxford. We mainly focus on fundamental investing and that is exactly what Mohnish does as well and what he is so good at. Let us start right from the very beginning. What got you into investing and given your background, when did you get started and how did you get started?

Mohnish: My entry into the world of investments was kind of accidental. I am an engineer by training and I was not working in the industry or anything like that. I was running an IT services system, integration firm about 29 years ago. I accidentally heard about Warren Buffett for the first time. I was reading a Peter Lynch book which I found very interesting. He was talking about Buffett in very referential terms, and I did not know who Warren was. I was lucky the first couple of biographies on him had come out which were great to read. I got my hands on the Berkshire letters and then the partnership letters and that opened up a big new world for me. As an outsider looking into the industry at that time, I made some observations, which I found very peculiar.

One of the observations I made was that the way that Warren Buffett invested and suggested that people follow investing was quite different from the way I saw professional mutual fund investors invest. The mutual funds would have hundreds of positions; they would have 80% turnover in a year. The premise of Buffett is that you are not investing in a stock; you are buying a fraction of a business and not over-diversify. The mutual fund results reflected that non-adherence to what I call the basic principles of value investing. I had a theory at that time that if some village idiot should do better than most of the professionals because the professionals clearly were violating what I would call the laws of investing or the laws of physics. A notion like that does not have much value without execution behind it. I was lucky I had a sale of some assets in my business for the first time. I had some money; I had a million dollars which I did not need, and I could put into the equity markets. I said to myself, “Okay, we are going to invest this million in what I call a 10 by 10 portfolio, 10 stocks. We are going to see what the results are because that is where the rubber meets the road.” That was in 94-95, and then by around early 2000, the million was north of 13 million. Well done Mohnish, well done. It was 70% almost. It worked wildly better than I expected. It did better than the so-called professionals and I was off to the races from there.

Ash: That sounds amazing. I had a similar story too. I transpired, through Buffett and Munger, the philosophy of “thinking about the business rather than the stock." I think that is just so appealing and it makes so much sense. That is kind of how we think about it at OAF as well. Saketh is going to jump in with our next series of questions. Thank you. That was interesting.

Saketh: Let us talk a bit more about Buffett and Munger. The concept of "circle of competence" is particularly important. How have you worked to expand that over years of investing and how would you recommend other investors go about doing that for themselves?

Mohnish: We would all start with the very small circle of competence. Usually, the best area to that we likely have some competent products and services that we are consuming. Those are probably the most likely candidates of businesses that might be the easiest for us to understand. I have never paid much attention to or tried to expand the circle. I think that kind of happens by osmosis and I do not think one should even be trying to make the circle wider. It will naturally get wider if you have a diversified set of interests, and if you are a seeker or what Munger would call "worldly wisdom." If you have a curiosity about different things, the circle naturally expands as you go along. However, the size of the circle is not correlated with investment success. We see that all over the place. If you look at any successful entrepreneur, they may be good at their business, but they may not know anything about anything else. But, just knowing enough about their business or their industry is sufficient for them to do quite well.

Munger talks about a friend of his, John Arrillaga, who passed away a couple of years ago. He was a billionaire who lived in the Bay Area. He was a real estate investor, and he only invested in properties within a mile of the Stanford University campus; not the Bay Area, not California, not the United States, just that one-mile radius around the Stanford University campus. He did incredibly well. If you had walked with him around the perimeter of the campus, he could pretty much tell you everything about every building; what the rents were, how much was it sold for, what it is worth, all these things. John Arrillaga was selling off a lot of his properties when things got euphoric, and he would buy them all back and others beyond that when things got overly pessimistic. But he never drifted away from his circle of competence. Interestingly Marc Andreessen, of Andreessen Horowitz and Netscape Frame dated and subsequently married Arrillaga's daughter. That is like a billionaire to the power of a billionaire. In my opinion, the Arrillaga model is the model to follow; it is better to be an inch wide and a mile deep than to be a mile wide and an inch deep. The issue is that you can go into a rabbit hole, which may not yield a lot of riches. There is an art to knowing which rabbit holes to go down. But if you go down a rabbit hole with a rich vein of opportunity, you do not need too many rabbit holes and you will do extremely well.

Ash: I completely agree. Nick Sleep, when he closed his portfolio, only had three stocks, and two of them had similar models. You are also friends and correspond with Nick as well, right?

Mohnish: Yes, Nick is a good friend.

Ash: How did you meet Nick and how has your relationship developed? He is quite a private person. I have reached out to him in the past. Can you talk a bit about that as well?

Mohnish: Nick is private with everyone except me.

Ash: Wow.

Mohnish: Nick has been a friend of Guy Spier for a long time. I am not exactly sure how Guy and Nick met, but through Guy, I got to know Nick. I always enjoyed meeting and interacting with Nick and over time got to know him a bit better. Jokes aside, he continues to be a private person. Even with me, he is quite private, but the kimono does open a little bit more, so that is okay. Nick had a very simple model with him and his partner Qais. They would come to the office, and Qais did not even have a desk to work on. He had a big kind of lazy-boy chair. They would spend their day reading annual reports and the Amazon annual report jumped out at them. Of course, the Berkshire annual report jumps out at all of us. They went deep into the Amazon rabbit hole and figured out a few things that the rest of us could not figure out. The rest is history.

Ash: I completely agree. I have read the letters. I cannot even count the number of times. I was so inspired by them. I learned so much from them. Every time you read them again, you learn something new. It is a great gift that he shared with everyone through the foundation. The charitable work that you both do is commendable. Here at OAF, we appreciate that. You are great role models. Touching on that idea, let us talk a bit more about going down the rabbit hole and digging deeper. That comes to the idea of portfolio concentration and running a more concentrated set of ideas, but you always run the risk of getting it wrong. Let us say that from Valiant in 2015 to 2016, lots of big investors were highly concentrated there. In your experience, how would you know when this concentration and this digging into the rabbit hole, is the wrong hole, and it is time for you to switch and get out and stop digging?

Mohnish: Sir John Templeton said that the very best investment analyst will be wrong one out of three times. More likely most of us will be wrong half the time. The investing business is extremely forgiving. If you ran a 10-stock portfolio and you were wrong about half the stocks, that is what you should expect would happen. We are looking into the future. When you are looking into the future, by definition, that is, fraught with peril. What John Templeton defined as a mistake might be that the stock side-lines, the stock goes down, the stock goes to zero, the stock goes up 10%, when you thought it would double, all of these things are mistakes. But because of the asymmetry of the way the investing business works with risk and reward, an investor could be extremely successful and do extremely well, even if they were right one out of 10 times. If that one time when they were right was just a massive home run, it would take care of all the mistakes. The way I look at it is that if I ran a 10-stock portfolio and one of those 10 stocks happens to be Valiant, and I have had several zeros in my illustrious career, the zeros are going to happen.

I learned a few ways to try to reduce the zeros, but the zeros will happen. One stock goes to zero, you are down 10% because of that, but that is not the end of the world. Even the investors who were long on Valiant, I do not know if they had put more than 10% of assets into Valiant. I may be wrong on that, but they had a huge run-up in the value of Valiant. In places like the Sequoia Fund, it became around 30% of the pie. You are giving up gains, which is a little bit different than putting 30% up. I would not sweat the fact that we are going to make mistakes. There is no way to avoid them. Even Buffett this year in his letter said that 12 decisions over 58 years created Berkshire as we know it, and he would have made hundreds of decisions. Even his hit rate of the great ones was less than 4%. We do not need to be too concerned. What we need to do is focus on our circle of competence, stay as close to the center as possible, do not wander to the edges, and definitely do not wander off beyond the edges and do not overly concentrate. Ten stocks, or eight stocks is perfectly fine. Three stocks may not be so fine. You will be fine.

Ash: That makes a lot of sense. The idea of really knowing where you are. And that asymmetry, I guess it is really important to talk about it with shorting as well. Shorting is the asymmetry, but the wrong way around. You can lose as much as you want, but you would not be a hundred percent.

Mohnish: Mr. Chanos just shut down his shop.

Ash: One of the best short sales of all time.

Mohnish: He is an extremely good forensic accountant. Many of the times, the things that he pointed out in businesses, he was right. Sometimes it is hard to get the timing right and it can go against you.

Ash: I completely agree. We were talking about shorting and also about concentration. Both Buffett and Nick Sleep, and so many people, emphasize the importance of management. When you are a concentrated portfolio, really delegating your investment to management, and they have to run it. We try to spend a lot of time thinking about that too. How do you also incorporate assessing management in the investment process? Are there some key ways that you look out for to assess management teams? Also, what are the key red flags that you would say, "If it is like this, I would not invest."

Mohnish: The simplest way to assess management is to look at the track record. Do not focus on what they tell you they are going to do. Go back and look at what they have done and go further back and look at what they said they would do, and then what transpired after that? Do they under-promise and over-deliver, or over-promise and under-deliver? If we had the luxury of looking at the long histories of a given management team or a given CEO, it would become relatively obvious where the individual stands, how they think, and what is going on that front. The other thing to also be cognizant of is that we want to look at the business quality as well. We can have a situation where management is exceptional, but the moat is mediocre, and that is not so good. Ideally, we would have a business where the moat is incredible, and overlaid on top of the moat is great management. As I said earlier, if you go down the rabbit hole, and if you go a mile deep, you are going to be able to separate the wheat from the shaft and know exactly what is going on.

Ash: I completely agree. Can we touch on that a bit more; the idea of the track record? For example, you have companies like TransDigm, Nick Holley's company, where the management team is so important. How would you get confidence in the management team of companies like TransDigm, when they just came public and you cannot see that track-long track record?

Mohnish: I have never spent a lot of time looking at TransDigm. I remember I read somewhere about Chuck Akre who had looked at TransDigm and he took a pass on the business. The reason he took a pass on the business was that he said that the management team was incented with stock options and restricted stock, and as soon as those became exercisable, they would exercise and sell those positions. One of Chuck Akre's mental models is that he wanted management with skin in the game where there was large ownership. He saw a situation here where TransDigm had done well over the years. The management team would have done even better if they had held the stock, but they did not hold the stock. His perspective was, "I cannot be in ownership with these guys who are not co-invested with me." In reality, in TransDigm's case, it has worked despite that. What I am saying is that is a good mental model to use, but sometimes it can lead you astray. That is an example of where the business has continued to do well. Part of that happened with TransDigm because it had private equity roots.

There was one set of private equity players that funded a team to do a bunch of acquisitions. They then took the company public or they sold it to another private equity player. After they went public, there were a couple of different players that had come in. The leaders at TransDigm were very used to the shareholders coming in, making a bunch of money, and then exiting. They adopted the same philosophy for good or bad. If you look at most companies where people are not holding stock and they are doing that sort of behavior, it is usually a red flag. Chuck was correct in 99% of cases, but you miss some. The good news, what this business is, in baseball terms, there are no call strikes, and so you miss one. I looked at TransDigm briefly. I did not see that it was a PE of one, and I moved on. It was not even a PE of two or three or four. After that, it just became too expensive for me. There are lots of things I let go of wrongly because optically, it appears expensive when in reality it is not. Amazon is a good example of that. I always looked at it and said, "Where are the earnings?" I could not see it, but Nick could.

Ash: Exactly. I guess those are the ones that will get away. But when you have these models and ideas, some will get away, but you get the others.

Mohnish: Absolutely.

Ash: That is exactly what Buffett says. We will segue to the second part and follow up a bit more on some of the previous conversations we had with the OAF. Saketh is going to take most of that. Thank you very much, Mohnish.

Saketh: The first question we have is about racist logistics. In our previous conversation, you talked about looking for markets where people are rushing to exit, such as in Turkey. That was the racist example. On the flip side, how would you approach markets where all investors are rushing in, for example, Japan this year?

Mohnish: As I said in the previous section, this is the business where there are no call strikes. If we do not find obvious value, we do not need to do anything. Japan may not be overvalued or overheated. It has been flat-lined and declining for so long and Japanese companies still screen cheap. They are very cheap. There are a few challenges that come up in Japan. The first is a demographic challenge; a declining population is a significant headwind. If

I were looking at companies in Japan, I would want to look at businesses whose fortunes and revenues were tied to exports outside Japan versus the domestic market. I would think that is a better place.

When Buffett bought the five Japanese trading companies in 2020, a large portion of that footprint was outside Japan. There are capital allocators all over the world. In that particular case, the demographic does not affect you because you are allocating capital in the world, and it is perfectly fine. The second issue that has been a bigger concern for Japanese companies is the cash and resources that the company has at its disposal, a lot of Japanese companies believe this is for the benefit of the employees. Lifetime employment is very important. Not laying off people is very important. Being able to ride out economic storms is very important. Some of those principles will negatively affect shareholder returns. If a business is bloated - it is a great business, but it is carrying two times the number of employees that it should be carrying - that hurts the providers of capital.

There are a lot of Japanese management teams who view their primary responsibility not toward the shareholders, but toward the employees, and that is perfectly fine. When you see that, you have to handicap that, and you have to say, "Even with this headwind, can I still do well?" My take is that, one does not need to follow the "flavor of the day" and one does not need to follow the crowd. One should not follow the crowd. Just because the Japanese market has gone up this year significantly, in itself does not tell me much. It boils down to individual businesses and the future of those businesses. I would look at businesses where the revenues and growth were tied to things happening outside Japan. I would look at management teams, which were focused on shareholder value as their primary driver. I would look at the quality of the business and quality of management and see if there is meat on the bone and things that we can do. On the other hand, there are markets like Turkey, which are shooting fish in a barrel. After all, the water has been run out. I like to walk over six-inch bars rather than jump over seven-foot-high bars.

Saketh: Let us speak a little bit more about avoiding the crowds. In our last conversation, you talked a lot about the process of cloning great ideas from other great colleagues in the investment space. How do you square up cloning and seeking inspiration from others versus the risk of momentum trading, piling in the trades, and pursuing undifferentiated ideas? We have seen examples like Alibaba recently.

Mohnish: As I said, we will make mistakes and that is just part of the landscape. In general, it is perfectly fine to source ideas from anywhere. It is perfectly fine to source them from smart investors. We should also understand that those smart investors are also going to be wrong half the time. That "wrong half the time" is not just us. It is going to be everyone. We are not going to be batting a hundred percent. Alibaba is a good example of a business that had, and probably still has very wide and deep moats. But they had events take place that were hard to predict, and then they got on the wrong side of the Chinese government, and we went from there. There has been a lot of unraveling that has taken place there, and if you looked at the business five years ago, you would not have been able to forecast that that would be the trajectory this business would take, and that is fine. It is the nature of investing that there are uncertainties and we are not going to always be able to get it right.

When I look at a business like Reysas, for example, I have no idea, and I still have no idea, at what point the market will recognize the real value of the business and ascribe that value to it. The market has increased the value of the business a lot since we bought it. But it still trades at a big discount, and I have no idea when that discount will close. We just place our bets; and make some assumptions. Hopefully, those are conserved assumptions, and we move from there.

Saketh: Let us touch a bit more on the uncertainty and how we cope with it. A lot of firms, either due to historical or structural reasons, have an investment committee that approves investments. In our last chat, you spoke about the importance of one person making the final investment decision. Do you think that there is a way that one can sharpen the workings of an ICU or some more bureaucratic structure like that or apply Munger's principles of inversion? What are the worst mistakes that any investment committee can make?

Mohnish: If you look at Berkshire Hathaway, Warren brought in two managers, Todd and Ted under him. He made it very clear to them that they never needed to run any idea past him. They have full independence to invest in anything. The only time he has asked them to run stuff by him is just to make sure there is nothing else going on where Berkshire is buying the whole company and they might be tripping from laws. But other than that, they do their thing. Each of them knew they were managing about 15 billion each. The autonomy is so extreme that Warren said that he did not care if they put it all into one idea. In other words, he said that if they decided that the entire 15 billion should go into one stock, he would not have anything to say about that. In my opinion, that is the correct approach. Anything that you do that takes away from the independence of the manager is going to do more harm than good.

When I was investing in Turkey, if there was an investment committee, they would not ever get to a consensus. There would be a thousand reasons to say, "No." You used to never get fired for buying IBM. An investment committee would go along the seven biggest stocks in the S&P 500. They would be completely "flavor of the day" because that is where they would see comfort, and that is where they see that they cannot be fired. Independence of thought is important, but Buffett and Munger have had a very difficult time finding good managers. It is easier to find good investments than investment managers, and it is very difficult to identify someone who will most likely be a great investment manager in the future. You need tread marks to help you get there, but you also need them young enough so they have a runway. There is a balance between the two where you need to see that there is enough history that the person has and enough runway in the future. Even then, it is a judgment call because it could have been the environment or particular stocks or something else that caused that. Identifying great investment managers is not an easy task.

Saketh: Absolutely. We have some questions about Dakshana. We would love to hear a little bit about the work you do. When was it set up and why? After that, we will get into how the investment and capital allocation decisions are made there.

Mohnish: The investing business is such that if you are even slightly above average, you are going to end up quite wealthy well beyond what I think would bring you more happiness in terms of consumption. I realized around 20 years ago, that we would end up with significantly more wealth than we could consume. There was nothing we could do that would increase happiness by increasing consumption. The wealth would be just extra, and there are only two things you can do with extra wealth; you can give it to your gene pool or you can recycle it back to society or some combination of the two. I would say that giving it to your gene pool, if the amounts are really large, will do more harm than good. But giving your kids or grandkids a little jumpstart in life is a good idea. In the US, we have these UGMA accounts and gifting laws where we could give about 17,000 or so per person to a person each year tax-free. We did that for both of our kids when they were very young. I invested that money in quite a concentrated manner.

The thing about these UGMA accounts is that they get full control when they are 18 which is exactly what I wanted. I did not want to have any control of the money after they were adults. Because these funds were concentrated, it became a good size fund; a few million. Both my daughters, when they turned 18, they gave me power of attorney to keep managing those funds. Subsequently, they have utilized some of the funds in an extremely good way. They have used it to start a business. They have used it to fund higher Ed and different things. It has been wonderful; it significantly exceeded my expectations. That took care of the gene pool and, they know that there is nothing else coming. They do not want anything else. When you recycle back to society I wanted the social return on invested capital to be high, so that the benefit to society is very high. Unfortunately, most charitable organizations or NGOs, do not think in that way. Someone has some pet project or whatever they like, and they do not look at what the input and output are and what happens here. Sometimes, we run into organizations that have large fundraisers and they will spend 80% of the money raised on raising funds. If I gave a dollar, 80 cents just disappear in the act of raising the funds, which is terrible and does not go to the cause.

I wanted to find an organization I could fund that was just great at social return on invested capital. When we were setting up the Dakshana Foundation in 2005-2006, I looked high and low and I was very disappointed. I really could not find an organization that thought about these things in the right manner. Then I ran into this guy in Bihar in India who ran Super 30 which is taking 30 very poor kids and training them for a year and helping them get into IIT. The return on that was off the charts, and I wanted to fund him. I told him, "Hey Anand, this is great. Let us take 30 to 300 and I will write you a check. I am not going to ask you anything. You have full autonomy. Do whatever you want." And he said, "I do not want any outside money and I do not want to scale. I want to just keep doing what I am doing." I went and met him, and tried very hard to convince him, but he would not budge. Since I am the shameless cloner, I asked him if he had any objections if I cloned him, and he said, "No, I think that is a great idea. I will support you." I thought to myself, "This model is really good. I do not want to do it, but this guy will not do it. I do not have anyone else who can do it, so I will give it a shot." I expected that we would fall flat and fail. This was going to be an endeavor; looking at rural India and all of that. But what ended up happening is that first, we were cloning a great model. Secondly, I lucked out big time and some great people showed up at my doorstep. We ended up with great leadership and I was happy to leave them alone.

All the different leaders we have had at Dakshana, have been very good. They keep bringing up different tangents and initiatives and things that we could do. My job is always to just say, “No.” The biggest value I added is that whatever they would come up with, I would look at it and say, “Okay, how does this compare to our core model?” It does not compare that well, and so it is taking a pass. The focus has helped us a lot and it has worked out well. It has been great.

Saketh: One of the initiatives we have recently set up is our first live fund at the Oxford Alpha Fund; progressing from a society to managing money. On the backend, we are interested in allocating cash returns to charitable causes to not become asset accumulators. One of the things we were curious about concerning Dakshana was how you assess the social return on invested capital. What kind of data points are you looking at and how are you teasing out downstream effects of the impact you have to assess these things?

Mohnish: In Dakshana's case, it was extremely easy to see that. When I looked at the Super 30 model, he was taking 30 kids in for a year. A lot of these kids came from really the absolute bottom of society and the household income was around $20 a month, which was very low. Anand provided free room and board to them for a year. His mother used to cook for them. When I looked at the economics of what Anand was doing, it was costing him about $800 per kid for that one year of prep; the room, board, coaching, and everything else. He was giving the math classes himself, and he had hired faculty for physics and chemistry. It was $800 a year. He had a 90 to 100% success rate; a high success rate. When those kids got to IIT, the IITs were so heavily subsidized. If there was no government subsidy, an IIT education would cost around $60-70,000 over four years. Because the government subsidy is so high, the cost of attending the IITs is about 20 lakhs. It is $10,000 in all, more like $2-3,000 a year because of the government subsidy and even that $2-3-4,000 that is being paid by the student.

Every IIT has a State Bank of India branch inside the IIT. The State Bank of India is a state-owned bank that has the mandate to give student loans. If you get admitted to IIT, you could just walk into the State Bank and they will just give you a loan for the entire amount that you are on the hook for. Many other banks will give loans to IIT and many scholarships and grants are available. At Dakshana, we have sent thousands of kids to IIT. We have never had to step in to help them with tuition or anything. That ecosystem is very well developed. In effect, the cost of attending an IIT is free. When you graduate, the size of the student loan is so low because of this heavy subsidy that when you start working, the savings rate is high. In 2, 3, or 4 years, the kids can easily pay off all their loans and have a lot of savings beyond that. They could in many cases pay off their loans in a year or two completely because of the huge income that they are getting relative to the loans. Because of this huge government subsidy, because the IITs get you connected to the global economy, and because multinationals are coming to hire from the IITs and all of that, the only thing that is going out of pocket is the $800. The rest is all funded. You spend $800 or $1000 on someone and they come out the other end and they have a job in India, which is paying, $15,000 a year, which would be equivalent to what, 70-80,000 elsewhere. It is a no-brainer.

Now at Dakshana, we do not have the cost equation that Anand had. It costs us about $3,000 a person, not $800. That is because we have a kitchen staff and not my mom cooking. Our costs are higher, but it is industrial scale. We are graduating 1000 kids a year versus 30 kids. We have kids working at Google now, and their compensation is over a million dollars a year. The input-output ratio is 3,000 to 1 million. One of our alums has got a team of 20 engineers under him and is moving very fast. We have had several of them who got funded by top NVCs. They dropped out of IIT and got funded. The bell curve on the output coming out from the kids that we have taken in is just truly off the chart. It was easy to see that this model is great. When we try to compare it to other models because of that huge government subsidy, it is just hard to compare it.

Saketh: That is interesting. It is a no-brainer. Can you give us some examples of extensions or other projects that people or staff have come to you with, that you said, “No” to because they did not meet that hurdle?

Mohnish: Well, we will need to find other initiatives in the next few years. This particular model that we are running will run out of IIT seats and will run out of medical seats. Currently, Dakshana is spending about $3 million a year. We are putting out about a thousand kids a year. When spending about $7-8 million a year, we are graduating about 3000 kids a year. The IITs take a total of 16,000 kids a year. We are already taking a significant number of IIT seats. I do not think Dakshana will ever be able to take more than 10% or 12% of the total IIT seats available. It is a very competitive place. There are a lot of rich people that, in some cases, the coaching for IIT starts six years before the kid finishes high school. On the other hand, we are doing two years or one year. It is very competitive. Once we are processing about 3000 kids a year through our program, we will max out and that is a high-class problem. Once we hit that 7 to 8 million, we will have to look at plan B. What do we do for plan B? I have experimented with a few things which so far have not panned out. We have looked at going further. India's public education system for elementary school, middle school, and high school is quite pathetic. The funding levels are low and the quality is low. We have looked at going into some of these schools in some kind of a magnet type of situation where we do something similar to what we are doing. But, we found it difficult to make those equations work. The one model that looks very appealing to me is there is another charity but I do not know whether they existed when Dakshana came about. But if I knew about them at that time, I would have just written them a check and been done with it.

There is a non-profit organization called Akshaya Patra Foundation. Some of you might have heard of it. What Akshaya Patra does is provide hot midday meals for kids in government schools in India. The Indian government many years back mandated that these government schools had to provide a hot midday meal. The reason they did that was that they felt that if the ultra-poor families knew that their kids would get one good meal at a school, they would send their kids to school. It would tackle the huge illiteracy problem in India because of the carrot of the midday meal. The government set up this whole midday meal program, which was a really good program. At a given school, the government will tell the school, “Look, we will pay you 50 cents or 75 cents per kid, and you give out contracts to providers who can provide that midday meal." A bunch of for-profit companies came about, and what happened was that there was a lot of corruption. They would bribe the school officials and then the food would be terrible, and then people would skim off the top. What Akshaya Patra did was they came in and said, "You can give us the 50 cents that the government is giving you. We are going to put another 50 cents from our side." Instead of trying to make money on that 50 cents, 20 cents, or 30 cents of that disappearing into all these middlemen, they said that the meal is going to be a $1 very high-quality meal. The second thing they did was they set up industrial-scale kitchens; very large kitchens, which are servicing 50 schools. They set up a network of delivery vans and all of that. They did it on a very large industrial scale. Even at the large industrial scale, they spent much more than what they were getting paid. Their expenditures per kid for the quality of meals provided, if any for-profit company was doing that, it might be $2 or $3 per meal. We went and looked at Akshaya Patra's kitchens and we took a bunch of cloning ideas from them and incorporated them into our kitchens because they were so good. They had come up with very efficient ways to steam rice and different industrial-scale things they had done. In that particular case, we do not have this in the Dakshana model measures; the amount we spend versus the income of the kids that are coming out.

In the Akshaya Patra model, what is very obvious to us is that the kids are getting a very nutritious meal. We also know that the literacy rates have climbed quite significantly deep in rural India in the hinterlands when these kids used to be child laborers working in the fields. To me, at the back of my head, I always have the Akshaya Patra model. Once we hit 7 million, if we do not come up with a better model than Akshaya Patra, Dakshana will go on Akshaya Patra. The problem they may be having is they may be hitting up a limit too. They have grown a lot. They have expanded in many different parts of India. I have met their management teams. I have met the people who support them. It is just a great group. It is the same DNA that Dakshana has. They think the same way; they think about social return on invested capital. It is such a breath of fresh air, but we are the only two players who think like this and that is it. There are just the two of us. That is where we are at.

Ash: Well, Mohnish, that is just exceptional to hear. I am so inspired by the thinking that goes into the charitable network that you do, and it is just so dynamic. That is what makes this job worth doing. You gain capital and you can give it back to others. You share it with others and uplift other people.

Mohnish: Yes. I had expected Dakshana would fall flat on its face. I expected 10 years, or 15 years of just falling flat, paying the tuition bill, and then learning how we can do this. We got traction in a few weeks and now the best days of the year have been the days I spend with Dakshana scholars, visiting their homes and all of that. The impact has blown me away. The main reason has been that the team that has come together is way more passionate about Dakshana than I am. They own it so much more than I do. It is their baby and it has worked out a 100X better than I ever thought it would. It has been awesome to watch.

Ash: I completely agree. I just hope it keeps compounding and compounding and generating more and more great results for these kids. Thank you. This has been such a dynamic discussion. We have learned so much and like always, it was great to speak with you. To close our discussion, what is one piece of advice you would give to students; people who are 20-30 years younger, but not just looking for a career and investing? You have seen so much in life, through both Dakshana and the Pabrai Investment Funds, through your career, and if there is one thing you could leave them with, maybe something to your 22-year-old self, what would it be?

Mohnish: I would say that one of the things that happens with students especially when they are looking at careers and companies to join, a lot of them focus on the big brands, and what would make people envious. That is the wrong model. In my opinion, the Buffett model is much better. You focus on going to work for people you like, admire, and trust. The second is to try as early as possible in life to find what you are passionate about. I found investing when I was an old man of 30. If you are so lucky to know what you are passionate about when you are at Oxford before you graduate, or even right after you graduate, that is a huge positive. Once you figure that out, go all in; go an inch wide and a mile deep into your passion. If you do that, you will just blow the doors off.

Ash: That is amazing. That is the best note to end this short chat; an inch wide and a mile deep. That is really where you want to be. Thank you so much for your time, Mohnish. This is amazing. We have all been big fans of your work and having the chance to just talk to you and to hear what you have to share has been incredible. Thank you very much.

Mohnish: I enjoyed the conversation a lot. Thank you.

Ash: Thank you, Mohnish. We will speak soon and have a great day ahead.

Mohnish: Thank you.

Ash: Bye. Thank you.