

Mohnish Pabrai's Q&A Session with Dakshana Scholars at Dakshana Valley, Pune Maharashtra on December 26, 2024

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Mohnish: Welcome to Dakshana. Even though you've been here for a while. Why don't we get started? First question. If you can tell us your name and where you're from, and then your questions, that'd be great.

Aditi: Hello, Mohnish, I am Aditi Devliya from Dewas district, Madhya Pradesh. My question is, tell me about a time when you had, had to make a decision with incomplete information. What did you do?

Mohnish: Yeah, normally like when you're in the situation you're in currently where you're studying for the JEE etc., at least on a theoretical basis, all the information you need to answer something correctly is available to you in books and lectures and other formats. So, basically it's a matter of you kind of knowing and studying what needed to be studied, but many times in the real world, we have to embark on different activities without having all the answers. And if you think about someone like Thomas Edison for example, and when he was working on inventing the light bulb, he said that I know 10,000 ways how not to make a light bulb. So he had no idea when he started, how he's going to make a light bulb. He would try something and it would not work. Then you try, something else would not work. And he just... but he was not willing to give up. Right? So he kept hammering at it. And each time he did something, there was some data that came to him. And eventually we had light, which is quite great. Wonderful. And so that was a difficult problem to solve. But he embarked on it without having all the data. A lot of times you have to do things where we don't have all the data.

When Dakshana started, I actually did not want to set up an organization and set up an entity and all that. What I wanted to do was to find someone or some entity that was doing good work and just support them, you know, just write them checks, give them money, let them run things. And our model at Dakshana came from Super 30. Some of you have heard of Super 30, and I heard of Super 30 for the first time in 2006, which is 18 years ago. And I emailed Anand Kumar at that time and I said, this is a wonderful initiative. You're taking 30 kids and all that. I would love to support you. Why don't we take the number 30 to 300? And, you know, I can now provide some funding so he said he is not interested in outside funding and he is not interested in growing. He's happy with the way it is. So then I decided to go meet him. I said face to face baat karengi to maybe I can convince him. So I went to Bihar and Patna and I went

and met him. And again I asked him the same thing. And again, his answer was the same, which is we are not interested.

So one of the models I use, which has been very useful for me, is the model of copying and cloning. Aap ko bataya gaya he ki copy karna buri cheez he. Ye galat bataya he. Copy karna bahot acchhi cheez he. And so I asked Anand if he had any objections, if I copied his model and since he was not willing to do it, he said no, no, ye to badi acchhi baat he. So I said, okay, I like the model. I don't want to really do things on my own, but I am being forced to do things on my own because this guy is not interested. And we were missing a lot of data at that time. So I knew that Anand had expertise and he was a very gifted math teacher and he had other teachers, so he had expertise to teach kids and prepare them for the JEE I had no such expertise, but I knew that I could hire that expertise. You know, we could go to Kota and we lot a different place, and then we could hire faculty just like Dakshana have faculty now that has been hired. And that part of the equation was available and something we could think about. The piece that I did not know and I did not know how we would solve that problem, was how would we find talented kids? So what was happening at Super 30 is that Anand Kumar would announce a selection test and 10,000 kids would show up, right, to take the test. And from those 5 or 10,000 kids, he'll pick 30. And any time you have 10,000 kids taking any test and you pick 30, you should get great results, right? Because it's not even it's less than a 1% acceptance. So it's a it should work. If in 2007, Dakshana had announced that we have some selection test, three people will show up. Nobody's going to come. So there was a problem we had where we didn't know how we will get the kids right and it's a big problem. I mean. So this is an example of where we did how we will make the model work, the way Anand makes it work. We didn't know that. But even in all my business endeavours, when we start, we don't know everything.

We have to embrace uncertainty and we have to embrace the unknown. So in 2007, I had hired a consultant who later became the first CEO of Dakshana, Ramesh Bathija. he was in Bangalore, retired guy, IIT Madras grad and he and I were trying to figure out how are we going to find the kids, right? We know that we can send them to Kota. If we find a kid, we can just pay some hostel in Kota. We can pay some meal service in Kota. We can pay the coaching institute in Kota so the kid can be taken care of. Right? But how do we find the kids? So I told Ramesh to move to Kota. I said do you mind moving to Kota? He said no, no, I am flexible, I can go. So I said you move to Kota and you go visit all the coaching institutes in Kota and you tell them that if anyone approaches them who has cleared their test, their selection test, but doesn't have the money for the fees, the family doesn't have money for the fees, They should bring it to our attention and we can pay the fees. So for the coaching institutes, it was a positive for them because this way they can get more money instead of turning away someone who doesn't have the money. And so he met a bunch of these coaching institutes and we got some calls from them saying there's a family, they are crying, they cannot pay, etc. so I told Ramesh, no need to do much due diligence or detailed digging or anything. If

the coaching institute is accepting them, just pay everything right. Don't try to do a lot of analysis or digging as to whether are they poor? Is the guy smart? All those things I said don't worry about all that. So we got our first six scholars like that, you know, different coaching institutes called us. And we had we had six kids in Kota, got them accommodation, got them everything, and they were studying.

And then when Ramesh was going and visiting all the coaching institutes, someone said, you should go talk to NVS and you should look at JNV system. He's never heard of the JNV system so he ignores it. Then again, after two meeting, someone again mentions the same thing. You should go talk to NVS and you should look at the Navodaya system. So he said these people are talking about some school system I never heard of. I said, yeah, when you go to Delhi, go meet them, see what they are talking about. And he met with the Navodaya people and that solved the problem of finding the kids, right? Because we met with them. And at that time, in 2007, Navodaya had a real problem. The problem they had, which is mostly, I think better now, is after 12, there was nothing, right? The kids would finish 12th. They are in some remote part of India. What are you going to do after that? Right? Even if your family has the money, there is no coaching available in that area or anything. There is not even any awareness of IIT or NEET or anything. So Navodaya was very willing to do an M.O.U. and a deal with Dakshana because nobody else had come and talk to them. And so they were very willing to deal with the organization that has no track record, no history, nothing like, Marta kya nahi karta. They have no choice. Today if someone goes to them, they have lot of filters they will use and all that. But at that time there was no filter. So that's an example of where we started, We didn't know.

So Anand System did not at that time focus on the Navodaya system. Our model evolved to focusing on the Navodaya system. And it's a beautiful system. And so it worked. And so I have always felt that when you start some business or you are going to start some activity or you want to invent the light bulb or anything you are trying to do, like, or you are going to be like Elon trying to send rockets into space, you are not going to have the answers. The first so many rockets that SpaceX designed blew up didn't work. They had lot, many, many failures, but each failure taught them something and they kept learning and going. So we have to embrace failure and we have to embrace not knowing everything. If you know everything before you start, probably somebody else has already done it or many people have already done it. So the opportunity will not be there because and it also will not be as much fun. So next question.

Rohan Singh: Hello Mohnish, My name is Rohan Singh Kanwar from Korba, Chhattisgarh. I want to open a hospital after becoming a doctor. How can you help me to open such a large network of a hospital across India?

Mohnish: Rohan, it is a wrong question. So when I was starting Dakshana, I am not relying on someone else to help me. I am assuming koi nahi he help karne ke liye, Right? So John F. Kennedy, when he was giving you the inaugural speech when he just became president, he said a

very famous quote, ask not what the country can do for you. Ask what you can do for the country. So you have a noble mission, and you have already put a roadblock in front of yourself on that noble mission. Ke agar Mohnish sir help kar denge to mera mission ho jayega. Mohnish is useless. He cannot help you. Okay. Nobody can help you. So now you have to redefine the problem. So the redefinition of the problem is with nobody's help, How can I have hospitals to help people? That's a better model, right? Because now you're not depending on someone.

And here we have a quote by Gandhi. You cannot change the world, but you can change the world for one person. You can change the world for 100 people. A thousand people, right? So, like when I started those first six kids we took, they would not be accepted by Dakshana today. So if they took the Dakshana selection test, None of those six would have been accepted. And what happens in Kota is if a coaching institutes accepts 100 kids, they know only six can go to IIT The other 94 are to support the system and create the profits. They are not going to go to IIT. So the coaching institutes know when they admit you that you have no chance. They know that. But they have a business to run. So they will tell you, you have done extremely well on our selection test, and you have a very good chance to go to IIT. And then all these people go to Kota, and only 5-6% will end up with something useful, right? So they made a fool of us also. They said humne to inko accept kar liya he. So they were part of the 100, but they were not part of the six, right? The six they will give for free on their own. They don't need Dakshana. If they know you are one of the six. They will take you for free, right? Because they need the numbers of people who are qualified.

But when I started the Dakshana, I was not concerned about that. I was not concerned about koi hamara bewkoof bana raha he ya kuch ho raha he. I was not concerned about that. I was at that time in data gathering mode. So the six kids that you were supporting was not going to make any difference to our resources. We had plenty of resources, but we were going to collect data. We were going to get a lot of data of how they are and what's going to happen, and so on. So when we go back to your problem about the hospital, so let's redefine the problem. The redefinition of the problem is I am going to provide medical services for free to one person who needs it. Okay. Let's say that is the definition of the problem. After you are a doctor, that should be relatively easy to do, right? You can identify a person in your village or wherever. You can find out that the person has whatever ailment. Try to find the right medical people to help him, the right drugs to help him, the right treatment. And that can be within the resources that you have. You don't need anyone for that. Then you can take that from 1 to 2 to 5 to 10 and you can keep going. And basically again, what would happen is that once you start doing the work, you don't need Mohnish. Other people will come to you and say, how can we help you? How can we support you? When Dakshana started, I had no plans that any money will come from anywhere else. My plan was that I will fund it. But now a large portion of the Dakshana's budget doesn't come from me. It comes from all kinds of other

people. All kinds of other companies. Some of them you have met there, visited the campus, etc.. So we didn't I didn't know that they will show up, but they have shown up. So redefine the problem, reduce the scope of the problem. So it becomes like a small startup. And when you have only one person you are helping, you will get a lot of data when you're doing that.

So I'll give you an example. There is a book called Infinite Vision. You don't need to read this book now because I don't want you to get defocused. But maybe before you finish medical school you can read the book. There's a organization in Tamil Nadu headquartered in Madurai called Arvind eye care. Have you heard of Arvind? How many of you have heard of Arvind? raise your hand if you heard of Arvind. So few of you have heard of Arvind. So there was an eye doctor let's call him doctor V. So Dr. V wanted to provide a lot of eyecare services for poor people and he wanted to provide them for free at a large scale. And he built one of the most remarkable organizations which provides this service. And I just want to go over a couple of things that doctor V did. So they do a lot of cataract surgeries. So cataracts is a very common problem, especially if you're poor. You know, your eyesight becomes all blurred and all you cannot afford the operation and quality of life is very low, etc. he wanted that anyone who wants cataract surgery can just come to Arvind and for free they are taken care of. So how can he take care of it for free, right? And so he did a bunch of things that were so brilliant. I visited Arvind Eyecare many years back. It was the most amazing visit. And the book talks about it. So doctor V was an innovator. He was very innovative in his thinking. One time he was visiting the United States and he noticed that in McDonald's they are producing all this cooked food, right? But there are no chefs in the kitchen. If you look inside the McDonald's restaurant or KFC or any of those, there are no chefs. They take a person from the street, they give him three, four days training, and then the food is being prepared. So what they have done is they have broken everything down into steps. So you don't need to be a chef. No one working there is a chef, like if they have to produce a chicken sandwich, they will say from the truck, the frozen chicken will come. You have to put it in this place at this temperature. Pull it out after two minutes. You do this, this, this and this. Add these things. Chicken sandwich is ready. Paneer sandwich is ready like that. Right.

So he said, why can't we do eye surgery like that? Why do I need a doctor? What is the cataract surgery? It's a set of steps, right? So he looked at every single step that was required to do a cataract surgery, and he carefully asked himself, do I need a doctor for this? And what he did was he put a large number of those steps on the nurses. So the doctors are expensive, the nurses are not so expensive, right? And he looked very carefully at the efficiency of how quickly they can do a surgery. How many surgeries can a doctor do? And how can you make this whole thing super efficient? I had cataract surgery done on both my eyes when I had gone to have my surgery done in the hospital. That doctor will do 6 or 7 surgeries in a day. The Anand eye care doctors are completing a surgery in eight minutes. Every eight minutes there is a new patient. Okay.

So this is what doctor V did. So let's say this is the Arvind hospital. Okay. There is an entrance A and an entrance B there are two ways you can enter. You can go into entrance A, or you can go into entrance B. If you go in to entrance A, it is free. If you go into entrance B, you will pay. Okay. Now the doctors that are doing the surgery, whether you go in A and B, A or B are the same, there is no difference. So here in the center let's say, is the operating room okay. These patients end up here and these patients also end up here. So the doctor is the same. If you go into the free area, they will not have a chair for you to sit for waiting. You will wait on the floor. They will not have any air condition or anything. It will be very basic. But when you get to the operating room, it's identical. It's the same. Right? So Arvind does not ask you a single question about how rich or poor you are. You decide which door you want to enter. So if you are a rich person who wants a free surgery, you can go to the poor entrance. Nobody will ask you any questions. And so you decide where you want to go. Our president, doctor APJ Kalam, went to Arvind for his eye surgery because their complication rates are the lowest. They have the highest quality outcomes of surgeries. So he went there and he accidentally went through the poor entrance. He didn't understand and he went through the whole process till the end poor entrance and finished. Everything was fine, no problem. So the eye surgeon who's sitting there doing the surgeries every eight minutes while he is doing the surgery on one patient, the nurses are getting the second patient ready in the same room. There is a second station where the patient is being prepped and all put all the, you know, sheets and everything, instruments and all that. All that happens is that when the doctor is done with this patient, his scope moves over to the other patient and he starts that surgery. This patient is taken over by the nurses to get him out of the room, and the next patient comes in. So in the eight minutes when he's working on that patient, the second, third patient is ready. And so the doctors is going back and forth, back and forth eight minutes for surgery. Everywhere else in the world, they don't have the nurses doing all that. They have doctors doing a lot more than they should be doing because they are doing it in a traditional way. Right. So Arvind doctor does 100 surgeries in a day and the normal places do seven, 8 or 10 surgeries in a day, what will be the cost of Arvind surgery? Nothing. They will have dropped it dramatically. Right. Let's say a cataract surgery would cost 10,000 if you go someplace to have it done. Arvind's cost maybe 1000. So what Arvind will do is they will charge you 2500. One fourth of what anyone else is charging you and the amount they are getting extra pays for the free surgeries. So Arvind does not take any donations from outside entities like Dakshana now gets donation from outside the Arvind doesn't get any donation. The paying patients are supporting the un-paying patients and they went even further.

So, the lens, the cataract lens that was being used, that was the most expensive part of the surgery. It was being imported into India. Arvind looked into what is involved in making the lens. That lens was costing like, I don't know, \$20 or \$30 for the lens. They set up a manufacturing plant. They make their own lens less than ₹10 for the lens, and they now export it all over the world. So, they are the cheapest lens

manufacturer in the world as well now. So basically here with the guy, who said, okay, I want to provide free surgeries for the poor. He didn't have all the answers when he started on day one. He didn't know about McDonald's was when he started, but he kept studying over and over and over again. How can I improve the system? And he didn't go saying, somebody has to support me. He did it on his own. He is dead and gone. Arvind is doing very well. His grandson is a friend of mine But there are a lot of people who have come from all over the world who work there and so on, and it's worked out really well. So, basically reframe the question. Next question.

Siri Vennela: Hello, Mohnish, I'm Siri Vennela Chinthati from Eluru, Andhra Pradesh and my question is what are the atomic principles or strategies that makes a difference between No. 1 business person and a normal business person? Thank you.

Mohnish: The important thing for making a business truly exceptional and great, most businesses are not exceptional, and great is if the founders and the people running the business adhere to a set of very core principles and no matter what happens, they stick to those principles. So most people, when they form a business, their focus is to make money. It's the wrong focus right there. They have lost the battle. If your objective in starting the business is that you will become very rich and whatever, you will not become that rich, what should be the purpose of the business is that it does something amazing for the customer. It does something amazing for the employees, and it does something amazing for the vendors and other people who supply it. And if it does all of that, then it will end up making a lot of money.

So we don't have this company in India, but we have companies in India that have copied this company. And in fact, you are benefiting from the copying that has been done so that the retail store chain in the US called Costco and it doesn't exist in India. Costco does not yet have any stores in India. They may never have any stores in India, but we have stores in India called DMart. And many of you have heard of DMart. And DMart copied a lot of principles of Costco. And Mr. R.K. Damani, who is the founder of DMart, visited Dakshana Valley a few years back. And DMart and the Damani Foundation support Dakshana. So actually you are a beneficiary of generosity of an exceptional business person. So what does Costco do that is different from other people? Right. So Costco has a rule that anything they sell in their store cannot be marked up more than 15% above their cost. So if they buy something for ₹100, they will not sell it for more than ₹115. And in that ₹15, they have to cover all their costs, right? Normally for stores and retailers, the 15 is too small a margin because there are so many overheads and people and rent and all that. But Costco sticks to that, okay, that 15% of the maximum, right? And the second thing that Costco does, they charge a membership fee. So if you are going to shop at Costco, you have to be a member. So they may charge you like ₹200 a year or ₹300 a year to be a member. Okay. After you become a member, then you can shop there and the maximum markup is 15%. Okay. And Costco has very large scale. Its does hundreds of billions of dollars a year of business. So when they go buy

something they are buying such a large quantity that they get a very low price. But no matter how much money they save on when they buy it, they don't markup more than 15%. So for example, one time there was a big overstock of these designer Levi jeans. These jeans normally are 30-40 Dollars per Jeans. Okay. They got this tens of thousands of jeans for \$9. Everybody else sell them for \$50. The cost is \$9. So some of the managers told the founder that even if you charge \$30, it is very cheap for the customers. Customer cannot get that price anywhere. So the founder said, we cannot do that. We will violate the trust with the customer. They sold the jeans for \$10. Within two days. All the jeans are gone, right? Customer is saying we cannot get anything at this price. Okay? But what that principle has done for them is that people have complete faith and trust in Costco.

So Costco is not really a shop. It's more like a buying agent. It is your buying agent. It goes and buys things at a very low price. It does a very small markup and it gives you all the benefit. DMart basically studied the Costco model. They studied the mart model. These are very exceptional retailers which are very principle based. And they copied that model. And nobody can compete with DMart. So if a DMart store opens someplace all the neighbouring stores will go out of business. Why would they go out of business? Because they are not used to providing at that price. They're not used to selling at that price. Why is DMart able to sell at that price? Because what Costco does is average large store. They have 20,000 different items. Costco only has 3000, so they will not stock six sizes of toothpaste. They only stock one size. So they get big discount on that one size. Right. And DMart does the same thing. The selection is lowered, the price is lowered, the deal is always good. And all the competitors they have, they don't think like that. They want immediate money. If they get a \$9 jeans they want to sell for \$30-40. Make a lot of money right away. And so the businesses that do the best are the ones that are thinking very long term. They are the ones that are focused on the money is secondary. They are focused on other things which will make the customer very loyal to them. And once customer is very loyal to them. Then everything is no problem. And it's kind of like Arvind eye care. Even if you are a rich person, you want to go to Arvind not to save money. It's okay to save money, but because their complication rate is lower, their doctors have ten times more experience than any other doctors. That same doctor is doing one procedure forever too good at it and has more experience than doctors with Many more years of experience. So next question.

Phalgun:

Hello Mohnish, I am Phalgun from Nellore district of Andhra Pradesh. My question is, is it possible for a person to achieve grand success without any connections with influential people? And is the lack of information about possible opportunities the major reason for majority of people staying in poverty? Thank you.

Mohnish:

You don't need to know anyone to do well. In fact, usually knowing people is a negative because you will be depending on them like he was depending on me. Now he's so disappointed he cannot rely on. Don't depend on Mohnish. Mohnish is useless, cannot do anything. So yeah, I think knowing people is not relevant. What is relevant is

that you are flexible. You have some burning desire. So there is a quote from the Upanishad a few thousand years back. I'll give you the translated version. As is your wish, So is your will. As is your will, So is your deed. As is your deed, So is your destiny. And then they put it all together and say, your deepest desire is your destiny. Okay, so what that quote is saying is that if you are totally focused on something just obsessive about it and you execute on it, it is very unlikely that you will fail. The universe will conspire to help you. There is another quote by Swami Vivekananda, more recent and I don't remember the exact quote, but I'll try to remember parts of it. And the quote is that take up one idea. Make that idea everything for you. Every nerve, muscle, and cell in your body is focused on that one idea, and you leave every other idea alone. And that is the way to success. So in both these quotes, there is no mention of who you know. It is only mentioning about what is your focus and how badly do you want something. So if you have an intense focus, many times when you guys send me questions that you have for me, I get a lot of questions about how do I become a good investor? And I think to myself, are they asking that question? Because that is the singular and only thing they are ever going to be interested in for the next 90 years of their life, and they will spend 80 hours a week on it. Or are they asking me that question because I happen to have a focus in that area? I think mostly it is the second reason. I don't think it is the first reason. So if you had a desire to be a truly exceptional investor, you don't need to ask anyone anything.

So someone was 19 years old and asked Mozart, Mozart one of the very famous composer of music. So he asked Mozart, how do I compose a great symphony? You know, it's a complicated piece of music. So Mozart told him, you are too young to compose a symphony. You're only 19, too young. So the guy told Mozart you wrote your first symphony when you were six years old. Mozart said yes, but I was not going around asking people how I should write it. Right? So if you want to be the best brain surgeon or the best cataract surgeon, or the best investor or the best rocket scientist, you can figure it all out. You don't need to ask anyone anything. You can just figure it out. And the only question is, are you willing to do 100 hours a week on it for 80 more years? Full on, nothing else, right? If you're willing to do that, it'll happen. If you're not willing to do that, then such is life, you'll be in the shallows for a long time. Next question.

Pravesh: Hello Mohnish. I'm Pravesh Nautiyal from Tehri Garhwal, Uttarakhand. So my question is what made you different? My teacher generally used to say Mohnish has something special. Ajay Antony sir says Mohnish is good at copying. So I want to know, about those qualities that make you different and set you apart from this crowd.

Mohnish: What Ajay said is correct. I'm just copying. Abhi koi aur soch lagakar Super 30 jesa idea create kare, Why should I try to create something? Just copy it. If you want to do great work in cataract surgery, you don't need to create anything. Just copy Arvind. It's already there. They won't even stop you. You can just go in and see everything, check out everything, copy everything and set up something that does the same thing. So humans have this, kind of I think, wrong mental

model. Like, they will see, let's say a Starbucks coffee shop and they'll say, oh, this is a very good coffee shop. And then they'll say, I cannot create another coffee shop because already there is Starbucks. but there can be ten different kinds of coffee shops. They can all be successful. They can be coffee shops that are very similar to Starbucks. They can be successful. The important thing in life is figuring out certain mental models and going all in on those models. So what I found out is that cloning and copying is a great model. What I also found out is that most humans are complete idiots. They think copying is beneath them. They don't want to take someone else's idea and duplicate it. So let's say DMart is there. Why do we not have a second DMart in India? Is there a second demand? Why? I'll tell you why. Because out of 100 humans, there are only 2 or 3 of them who are willing to copy things others have done. Very willing to do that 97, 98% are saying ye already ho gaya he, Ye nahi kar sakte. Kisi aur ka idea he, I want to find something else. So they leave all that alone and they miss that idea. So what I found is that if you figured out certain mental models and you go all in on those models, especially the models that the other humans do not understand how powerful they are. And when you start combining these models together, you get extreme effects.

So let's take another model. Let's call it the model of honesty. Okay. Now we always hear honesty is a good policy. Good to be honest. Right. What people don't tell you is that being trustworthy, being that other people can trust you, gives you a very big advantage in life. So what has Dmart and Costco done? They have created extreme trust, right? They have created extreme trust, But as an individuals you can also create extreme trust. So creating extreme trust is a long game. In the near term it doesn't do much for you. But over time, what happens is when people know that they can trust you, it opens up lots of different things for you. So if you look at an organization like Dakshana, we try to run Dakshana, with a set of very core principles. Like for example, I get emails or notes sometime from parents who say that Dakshana provides very good coaching. We are too rich for our kid to be accepted by Dakshana, but we are willing to pay ten lakhs. Please give our kid at Dakshana. so they are willing to pay. If they pay ten lakhs it will be very profitable for them. It doesn't cost us ten lakhs to do one scholar, but that would violate our principle. So we tell them get lost, we're not interested. Right? And they say we will give donation. I said you can give donation. Doesn't mean you get a seat. We will take your donation and there'll be no seat. So feel free to donate as much as you want. But because we run with these principles, when some of these entities like DMart or Damani Foundation other Bajaj and others look at us, they know they can trust us completely. And if we start doing small things here and there, that will take away the trust. So, trust is on a log scale. So, at the extreme right end of the scale, you get an exponential payoff because it's on a log scale. And but it takes a long time to get there. So, what probably Ajay and others who look at me don't fully understand, Like Ajay says, he's good at copying. That actually is not fully correct. What is correct is to say he's figured out a set of mental models that give

him a big advantage in life that other humans are not willing to adopt.

So, if you take two mental models, the mental model of copying and the mental model of trustworthiness and honesty, and you combine the two mental models, right? I've only combine two models so far. So now Dakshana for example, Has the copying mental model. It has the trustworthy mental model combined. But those are not the only two. There are many additional models that are built into Dakshana. There are maybe another 8 or 10 models that are built in. And when you start cascading these models on top, on top of each other, you get exponential effects. So, one plus one becomes 11. And that's where the mental model take you to a completely different place. And there is another mental model. It's the mental model of compounding. That model also had worked at Dakshana. So, the compounding mental model is not at work at Super 30. And the first model which we copied that very much is there. But they don't have the other models.

And so the important thing in life is to be a collector of anomalies. Do you know what an anomaly is? An anomaly is something that is true. But it's weird that it's true. Something unusual. The way Arvind eye care does surgeries is an anomaly, right? Because everyone else doesn't do it that way. Right? The way DMart does retailing is an anomaly. What we want to do in life is we want to observe around us anomalies, and we want to understand why these anomalies work. And then we want to see what mental models are involved in those anomalies. And then we want to extract from it. Right. So just the mental model of compounding itself is extremely powerful. But when you start putting compounding into something like Dakshana, it just goes crazy.

So there's a guy who invented the game of chess, and there was a king who loved the game. He became a obsessive chess player, playing chess all the time. So he called the inventor of the game of chess to his court and said, you have given me so much pleasure, so much joy, such a great game. I want to give you any gift you want so the inventor of the game of chess says to the king, I'm so happy that you like this game. I don't have much demand. All I want you to do is on a chess board, I want you to put one grain of rice on the first square, and then I want you to put two grains of rice on the second square. And then I want you put four grains of rice on the third square. And keep doubling the grains of rice on every square until we get to the 64th square and just give me all that rice.

So the King got upset with him. He said, I want to give you all these amazing treasures. All you want is a bunch of rice. He said, yeah, that's all I want. Just a bunch of rice. So he tells his treasurer, measure out the rice with this guy and get him out of my court. So after three days, the guy is still there. The king asked the treasurer, what's going on? He said, sir, it took us a while to run the calculation and we don't have the rice. In fact, that amount of rice does not exist in the entire kingdom, and in fact, that amount of rice does not exist on the entire planet.

So we have one plus two plus two squared plus two cubed... plus two to the power of 63. So this is two to the power of 64 minus one okay. Now 2 the power 64 is a big number. So 2 to the power 10 is 1024 okay. Which we can say let's say to make the math simple is 1000. So it's 2 to the power ten times two to the power ten times the power ten. We do this six times two times two to the power of four okay. So it's 16000,000,000,000,000,000. Okay. That's approximately it's actually higher than that because it took away the 24. Right. So it's bigger than that number. And when I heard about Warren Buffett for the first time, he had been compounding money at 26% a year. 26% is actually a magical number, because $1.26 \times 1.26 \times 1.26 = 2$ Okay. So 1.26 cube is equal to 2. And what that means is that if someone is growing money at 26% a year, it doubled in three years, okay. Which means that you move to the next square on the chessboard. You move from the first square to the second square. Now, when I first heard about Warren Buffett, this was 1994. He's born in 1930. He started compounding in 1950. So from 1950 to 1994, this is 45 years. The 45 years is not relevant. It's two to the power of 15. Okay. Whatever money he had in 1950, which we know at that time, it was \$10,000. He had \$10,000 in 1950. So what did he have in 1994? It's 2 to the power 10 times 2 to the power of 5. It's 32,000 times 10,000. Okay, that's 320 million. Okay. Now he's still alive. So we go from 1994 to let's say, 2024. This is 30 years now. His compounding rate went down a little bit because the numbers got big. So if you are doing 15% a year, it takes five years for money to double. Okay. So basically this is 2 to the power 6. This is 64 okay. So we take 320 million. So this would come out to approximately 20 billion. In rupees. That's a huge number anyway. So compounding is an anomaly. It's also magical right.

And so when I heard about Buffett in '94, I said I want to figure out compounding. I want to figure out a mental model of compounding. The mental modelling of copying gets gold on steroids when you add it to the mental model of compounding. And so basically, the bottom line is that the combination of these models make it really powerful. So like for example, let's say Dakshana currently spends 25 crores a year. And let's say that spending compounds at let's say the 26% okay. We double that amount every three years. So I'm 60 years old. If I keep doing that till I'm 90, what that would mean is that it'd be 1000 x by 90 of what we are spending. So the 25 crores a year of spending 30 years from now would be 25,000 crores a year of spending. Okay. And from 1000 kids a year being taken by Dakshana, if we were doing the same thing, we would take 1 million kids a year. Now we don't have 1 million IIT seats and we don't have 1 million medical seats. Okay, so Dakshana actually wanted spending 70 crores or something per year, This model will max out. We cannot do anything more, so we have to find other models. And so that's the game I'm playing and the game I'm playing is that eventually the engine giving money away is hopefully spending thousands of crores a year. And we keep looking and copying what other people have done, and we bring it into the fold and just go from there. So let's go to the next question.

Arpit:

Hello, Mohnish, I'm from Arpit Kumar Sharma, from Jamshedpur, Jharkhand. I'm pleased to ask you a question about the pathway to

get into the field of entrepreneurship. I know that you've been in this field for a very long time, and I also want to get into this, but it feels kind of tough to me to get into this without such a background. So what would be the initial steps for me that would be helpful for me to get into this and achieve my planned goals? Thank you.

Mohnish:

So already you know the quote from the Upanishads. You already know what Swami Vivekananda said. If your most burning desire is to be a successful entrepreneur, it will happen. The first step towards doing that is to identify offering gaps. Offering gaps means that something that should exist in the world but does not. Those are kind of hard, but what may be an easier way to get to offering gaps is, Someone else is doing something smart, and they should be three more of those. So we don't need to come up with our own offering gap. We can look at other offering gaps.

So what I would suggest to you is that I think it's better for you guys to stay focused on the JEE and NEET chakki piso for at least three years till you get to like third year or something. Once you get to third year, then if you send me this question, I will give you some book recommendations that will help you. So there are some books which have been written which explain how different entrepreneurs got started in different ways. And some of those books are very useful because you can see that journey, and then that will explain to you how to think about it. But the important thing is think small. First you think small, something that can be started small and then later can be scaled up. So I think DMart for more than 8 or 10 years was just 3 or 4 stores. It took a long time for them to scale, but initially they were fixing their model. And so I think that's the key is that if you have an intense burning desire, there are often gaps, like I would say, that what doctor V did with cataract surgery can be done for many other medical procedures, right? That model is a very powerful model. And that model can be applied in many different areas. And so that's one area to focus on. If you are on the medical side and similarly on the engineering side, I mean, I think that just be an observer of what is going on around you, what people are doing around you, and take it from there. Let's go to the next question.

Abhishek:

Hello Mohnish, My name is Abhishek Kumar, I am from Aurangabad, Bihar. My question is how can a person with zero balance start a startup to elevate their own poverty as well as of their village and India? How and with what amount did you start a startup? Thank you.

Mohnish:

You don't need any money. In fact, if you have money when you start a business, it will fail because you will spend it stupidly. So it is an advantage to not have anything. And it is an advantage to be tight and to think small. And I think that if you study the great entrepreneurs across many different industries or many different decades, and you go back to the beginnings of what they were doing, you will find that they had hardly anything. They didn't really have any resources or did not come from wealthy background or anything, but they were very hardworking and they were creative, and they figured out things that people wanted and they went from there. Next question.

Adesh: Hello Mohnish, I am Adesh Suryawanshi from Shajapur, Madhya Pradesh. So as we all are studying here for education, skills and money, our ultimate focus after Dakshana is to become like you and contribute to the society. Also, we want a better lifestyle after Dakshana. So my question is that how can we become a successful person? By using our skills and knowledge and become expert in money making? Thank you.

Mohnish: Like I said, if it is your main focus and you figure out core mental models to be to be successful in business, you have to be extremely honest. So what the thieves don't understand that if they were honest, they would be so much wealthier. And so honesty is not just the best policy, Honesty is the most lucrative policy. It will make you the wealthiest, actually. So if you understand the mental models of copying and cloning, of honesty and trustworthiness, of compounding, and many other models that you will figure out on your own and you start overlaying them together, it just cascades on itself, and it's something that you should keep in mind. The other thing is that when you make small bets like you have a job and you're making a bet on the side, and that startup doesn't work. In my case, the first three startups I did, did not work. But the total money that went into all three together would be less than \$1,000. So almost no money went into there. The fourth one also took very little money, but it worked.

So if you have a job, you can do startup number one while you have your job does not work. No problem. Startup number two, you can do infinite number of startups and if you stick to the principles etc., something will work and each one of those that you try is going to teach you something. And the payoffs are asymmetric, right. So if it works it works extremely well. And if it doesn't work your downside is limited. So that's another good model to have where if you fail it has no impact. And if you succeed it has a huge impact. And so that also works very well. So thank you so much and wish you all the best. Stay focused on the chakki piso for some time. Then you can try to get out of the grind and take it from there. So thank you.

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