

Manish Chokhani Unfiltered

Money, Power & Wealth Creation in Stock Markets

The India Opportunity Show

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Host:

Hello and welcome everyone to the India Opportunity Show. Our guest today is Manish Chokhani, one of the most respected voices in the Indian public markets ecosystem. **Manish is not only a market veteran but also a rare thinker who blends investment wisdom with timeless life principles.**

He was the MD and CEO of ENAM Securities, which was sold to Axis Capital for over 400 million dollars. After ENAM's merger with Axis, he served as the MD of Axis Capital.

What you'll really appreciate in this conversation is Manish's ability to zoom out and be a global thinker and investor.

I really enjoyed all the snippets of spirituality that he blended with timeless investing wisdom. Hope you enjoy watching as well.

Hello Manish, welcome to the India Opportunity Show. Thank you for taking the time to be with me here today.

Manish Chokhani:

Thanks for having me, Srishti.

Host:

Honestly, I have to tell you this is such a dream come true moment for me to be hosting you today. I've always watched you on TV, and just to be with you here in person is a dream come true.

Manish Chokhani:

Really kind of you, and I think you're my son's age, so I hope we get those kinds of audiences listening in as well.

Host:

Absolutely, there's so much wisdom that people can learn from you, and today we'll dive into that and a lot more.

But Manish, even after accomplishing so much, when my team reached out to you, your words were that anything that we can do to help our fellow countrymen in India's wealth creation journey was something that you always want to contribute towards.

And I thought that was a great starting point even for this conversation because you actually personally live this message. What do you think India's wealth creation journey will look like over the next 15–20 years?

Manish Chokhani:

Wow, good question. Look, Srishti, we have a 28–29 years old demographic. You represent young India. And if I look back at my 35-year journey—you see normally the Indian industry makes about a 15% type ROI, which means the index itself doubles every five years. And you go four times in ten years, and therefore it could be 16 times in the next 20. Even if we don't hit that—just on pure math—90% of your wealth creation lies ahead of you in the journey.

All of you are blessed because you came into existence when—like when I came from my dad's generation, at the end of their life, they had a bungalow and a car. We guys probably worked hard and we started getting a car while the kids were still being born and so on, and you guys are coming in already with all the basic needs fulfilled. You can really aim for the moon and the stars, and I think the best period of India therefore lies ahead of us as we climb up this league of nations and hopefully make an impact on the whole world.

Host:

Yeah, I think it's so fascinating that all of you legends constantly say that India's next decade is going to be the best one. Where do you think, in terms of just from an Indian investor's perspective—because I've often heard you say this Larry Summers quote that ‘Japan is a hospital, Europe is a museum, and China is a jail. So, where does one invest?’ How would you suggest Indian investors invest in today's day?

Manish Chokhani:

Look, Indian investors can't take it for granted that we are going to arrive. I also say that Argentina was the richest country like 100–150 years ago, and then they blew their opportunity. It's on this generation of how we build up, because historically we've been processors for the rest of the world.

Our service companies work for others. You were working in Meta, for example. **Infosys may be doing work for Meta, but Infosys doesn't own the platform, and Infosys doesn't own the underlying IP and the protocols on which these platforms are built. And therefore, just one Microsoft makes more money than the entire Indian IT pack put together.**

Unless we go up that value chain in the coming 10–15 years, which we will— which is what China has demonstrated, that they've taken ownership of all these protocols and the platforms—I think that's really where we should be heading. That's one.

Number two, **I think in the next couple of years, we'll be the third-largest economy behind the US and China,** but we are still a very inward-looking and a closed economy. **If you, both as a business person and also as an investor, are not aware of what's going on in the world and you're not addressing either a business opportunity elsewhere or you're not starting to invest outside in the world—so your horizons expand—you're doing yourself a disservice.** Surely, India will be a large part of global indices, but it won't be like the US with 70% of the world market cap; it's not like it's the only market in the world. People do invest and they do grow their businesses outside the US as well.

You yourself worked in Meta—if they hadn't come to India and they hadn't found you there, and they wouldn't have built up their business over here—they would have done a disservice to themselves. **Today, I think the largest user base is in India.** You need a lot more aspiration and a lot more ambition to come out from India, and that's what I'm really excited about over the next 10–15 years.

Host:

And you've personally backed startups as well, and you do publicly listed companies. What do you think we don't get right? Why do we not have examples that have taken over the globe?

Manish Chokhani:

I think it's a matter of time as well, because we came out of great deprivation after independence. To just meet our basic needs—your generation won't even know—we were having to import food at some point, and we would be beholden to the rest of the world. From there to being the food granary. **We didn't make enough of our own steel, we never had a car company until Maruti really came and started building volume.** We've come out of a lot, and it's like a step process that you build your balance sheet, you build your capabilities, you build your confidence.

The analogy I gave is of the Indian cricket team. **Till the late 70s, if they went out and played a cricket match abroad, it was a big deal. We got a turning point in '83 when we won the World Cup,** but it was considered a one-off—that can you be a regular world beater—and that only happened in the next generation when the Sachin's came. Even though the Gavaskar's and the Kapil Dev's had great talent, they weren't world beaters. They got their one-off in '83 and '85.

But the Indian team really came into its own in this Sachin, Dravid, and other era. Then you needed a small-town Dhoni to come and say that we can then go and smash the rest of the world, and today we dominate the cricket field. That sort of evolution will happen to Indian business and industry as well.

Host:

We are waiting for our Sachin's and Dhoni's to come.

Manish Chokhani:

Well, the Sachin's are there. We need the Dhoni's to come and be the world leaders because Sachin was a great individual player; he wasn't the team captain. **We need the Dhoni's to come,** and I'm sure they'll come from some small town.

Host:

Do you think any of these new-age companies that you see getting listed—now there are so many companies, private startups that have gone public as well—do you see any of those as examples?

Manish Chokhani:

They're all great entrepreneurs, and they've built great businesses, **but what I still think we are doing is cut-copy-paste.** For the types you're mentioning, which are coming to market. **A Flipkart would have copied an Amazon over there, an Ola would have copied an Uber over there, Oyo would have copied an Airbnb over there, and so on. Zomato already had Meituan and others, for example, in China doing that.**

It's great what they're doing, but these are, like I said, **we don't own the underlying IP, the protocol, or the platform.** For example, we built the India Stack. **It's great what the UPI has done, but what have we done on top of it? Because already Google Pay and others who control that platform. If you don't take the whole value stack, you won't get the complete profit pool coming into your pocket.**

We are happy we built, for example, the previous generation, built the IT services companies, and \$250 billion worth of Indian IT exports is equal to oil from Saudi Arabia in terms of actual absolute number of foreign exchange earnings.

Similarly, the Indian pharmaceutical industry built a large generics business, but in terms of absolute profit, like I said, one Microsoft makes more money than the whole Indian IT sector put together. It's that sort of thinking, which I think—because there's now adequate capital available in India through the VC world—unfortunately, a lot of it still comes from overseas, but I think that's available. We need our kids to get a lot more exposed to the world. I remember even in the 90s, I had backed a company called Ramco Systems, which was taking on SAP back in the day, and they had the first client-server architecture-based ERP, whereas SAP was mainframe. But they lost out because they didn't have the feature richness which you need, or the UX experience which ultimately the customers want in those markets, and those investments were not made.

The same way, Indian branding companies—if you take the Indian brands, how much have they travelled out? You'll hear of a Bajaj, but it'll be going into a Nigeria or a Sri Lanka, or Indonesia will have TVS, or Marico will go into Bangladesh, or a Godrej will go into some other emerging markets because the wherewithal to go and build those brands and invest for the long term may not yet be there. I think that's number one.

Number two, this ease of doing business in India is, I think, a bugbear I hear from most people. There was a period where a lot of our startups went overseas to set up, and then a number of them have flipped back, but it's not flipped back for business reasons. They've flipped back because the Indian market seems to be giving them valuation because they are so rare. That's why we call them unicorns—because it's a rare mythical creature. But other than valuation, this is not the market to go and test yourself. The IPL became a global thing because you played with the best in the world, and when you beat them there, then you realize, I can take on these chaps elsewhere in the world.

You need some version of that, I guess, to happen here.

Host:

You're so right. In the private market world, where I've been an active investor, earlier the conversations used to be "go and register yourselves in Delaware," and that was well-meaning advice that every VC would tell you. But now the conversations have changed because people are flipping their structures or

setting up in Mauritius or Cayman Islands, etc., because people have realized that listing in the US for Indian companies—you get lost...

Manish Chokhani:

Absolutely, and you're too tiny to get noticed. Here, the valuations are, frankly...you get surprised on the upside.

Host:

Because you touched upon pharma and IT sectors—you've been able to predict trends ahead of the curve—and you were talking about banks and financials coming back into the picture and pharma and IT getting affected, and we are seeing all the cycles play out now.

A, what do you think of the cycles going forward?

B, also, how do you identify these cycles at large?

Manish Chokhani:

Number one is we have to recognize there are cycles. We all come out of a financial background, and we all grew up on Excel spreadsheets. The easiest thing was to take a line and draw it for the next five years and ten years, and it went straight. **Nature is cyclical. There's nothing linear in the world.** You have day and night, and you have four seasons in the year. Everything that you observe—even our own life—we go through a life cycle. Companies have a life cycle. Sectors have a life cycle. Nations have a life cycle. Our world has a life cycle.

The way we were discussing before we started the show, the kind of souls coming to this world are coming with different life cycles. Once you play according to the laws of nature — that there is a life cycle — and there are clearly life cycles of economies. **And I learned very early from the great Mark Faber; he used to write about life cycles of emerging markets. Then there was also an economic theory — there's the Schumpeterian analysis — where they talked of disruptive trends.**

Then I also observed post the 1970s Bretton Woods, how every decade you created a bubble once you broke the gold standard, and you went away from financial assets in one decade to hard assets in another decade.

With all that sort of there at the back of the mind, you can almost see what's coming ahead because, in some sense, as I'm older — I can say this now; I didn't realize it then — you're kind of in sync with nature. It's like when you

know a person, you can predict that person's nature. Same way with most other things, you almost have a predictive, intuitive sense about what lies ahead.

Like you meet some people, you get a creepy feeling — you don't want to meet that person — and with some people, you feel like you've known each other forever. There are some things that work. I don't know — it's hard to explain.

Host:

I guess some things that align with you naturally.

Manish Chokhani:

It's like — and not that I'm saying I'm similar — but it's like asking Sachin, when you see the ball, how do you hit it? I mean, he sees the ball like a football, and we get bowled on the same ball. I think it's a bit like that. It comes with both — your own nature has to be there.

And B, you've got to just keep at it.

Like Malcolm Gladwell had that lovely book — he said **10,000 hours of practice. That's what differentiated the Sachin from the Kambli.** When they were kids in school, there was a Vinod Kambli who was supposed to be more talented than Sachin. Then his life took another direction, and **Sachin stayed very disciplined and kept honing his craft, and look where he reached. It applies to all of us in all the fields we operate in.**

Host:

Yeah, absolutely, and we'll dive into this spirituality aspect for sure. Where do you see we are in the cycle? With Trump on Twitter—he comes up with some really disturbing stuff sometimes, and it's really affecting how people across countries are thinking about decision-making or investments, and if they want to invest in or set up different ventures, etc. Globalization is truly at risk — globalization as we knew it is at risk.

How do you see this geopolitical tension affecting...?

Manish Chokhani:

Again, great question, and you have to go back in history to realize **what we saw in the last 100 years was an exception. The world didn't really have one superpower dictating the rules of the world forever.** Even the rules which came about were actually post the Second World War, where the two big colonial

powers — the UK and France — were counterweighted by the non-colonial powers, which were then the US and Russia, to say, "Let's now set the rules of the world and draw up a map on the way we want to now rule the world and the way we want rules to operate."

You therefore saw how even the Security Council was created, with the big powers then sitting there, and they grudgingly took in Germany, Japan. **India was given a chance to come in, but we, for whatever reason, said, "Let the Asian seat go away to China,"** and so on. That's one part of it. Then they also designed the way the world monetary system would work, and so on. **It was all rules designed to play to the strength of the West.**

With the falling of the Berlin Wall and the demise of the Soviet Union, effectively the US was left as the only power in the world. **The era that I've lived through — 1990 to today — just saw a complete explosion of US exceptionalism and the rise of capitalism, which was completely unbridled.** Because the era before that, remember, was the Cold War and you didn't really have a world which could trade freely, and you therefore had a very inflationary world. **Dollar printing therefore gave you these bouts of bull markets in the then-emerging markets of Japan and Taiwan and so on.** The previous decade was gold and so on.

As these rules have to get overturned because **the West has lived beyond their means,** their only recourse to every problem that now occurs is, "Let's print more money," because they have the ability to do so. **2008, in my view, marked the end of that period where they used that money printing press to great effect, and they realized the world didn't react.** Like, India was 40 rupees to the dollar. The Yuan was, if I remember correctly, probably six to the dollar, and post that, they printed 3x the dollars which were in existence, and yet, oddly, the rupee has gone from 40 to almost 90.

The Yuan has almost stayed steady, and **they used that excess money, by keeping the currency stable, to go and build hard assets and infrastructure and productive capacities.** Whereas we went and did NREGA and basically lost all the money and didn't build up our manufacturing infrastructure at the right time. As this game is now tilting, and China has clearly taken control and leadership of the world, **they produce probably half of all the world's manufacturing output.** They control most of the supply chain for energy, which also we haven't solved for decades. As this kind of new world — Russia, China, Saudi — is saying, "Why are we playing by the rules set by the US and UK? this world has to change."

This chessboard is changing completely. How it lands and where it lands, we have to see. If India had gone into bed with the BRICS, this would have become

the new G7. For strange reasons, I still can't understand why China did what it did in Ladakh. **If that episode had not happened, BRICS would have already started emerging as the new power center of the world. We would probably have already seen the emergence of a new sort of multi-purpose currency block.**

I don't think people, as yet, will trust Russia and China to be the reserve currency in terms of store of value, but they've done with SIPS, which is the counter to the SWIFT trading system, where money transfers are now happening electronically. **SIPS is actually like the new UPI of the world in a way — where SWIFT takes you three days to transfer money, you can do it on SIPS in pretty much a few seconds.** If a currency has both transacting power and a store of value, the transacting power is clearly moving away from the dollar.

The store of value is something we are not finding, and therefore there is this whole move — going to gold, going away to cryptocurrencies and so on — is happening. But it's also a redesign of the whole geopolitical chessboard in terms of power play, and how India plays in this will determine really how our next 20 years go. Because even in the WTO post-2001, China got all the advantages as the US embraced and brought them in, and we were still seen as close to the Soviets or the Russians at that point. We were kind of kept out as pariahs. We never had a trade agreement with anyone of significance.

It's only now that you're seeing Europe has reached out, the US has reached out. If you get a good trade deal going bilaterally with these economies — **India being 3% of world market share, world economy — it's just terrible. Historically, India and China used to be a third of the world GDP. China is already well on its path there. India is at least 15–20 years behind.**

But if we don't play this game right this time — the way we collapsed when we missed the Industrial Revolution — it's again not a given that our rise is inevitable in the next 20 years — **if we don't play both this geopolitical game right as well as this new emerging technological game right.** We'll see. I'm optimistic. I live life on that basis. But again, like I said, it's not a given. Let's see how it evolves.

Host:

Yeah, absolutely, what you're saying is so true because we sometimes get trapped in our own echo chamber—that India is great, the India opportunity, as the show is called, etc. It's so important to keep updated.

Manish Chokhani:

Keep a reality check.

Host:

Yeah, absolutely. But what are other potential risks that you foresee? What could derail us from this story?

Manish Chokhani:

I think the biggest challenge in India is when we think of an idea, we think it's already done. There's complacency risk in India. It's like our market cap is whatever—4 trillion—and we think we already made it. We say “China has not performed for 10 years”, and we think we are so great. Markets are paying for potential, but if you don't deliver to potential, these valuations don't last forever.

I think the biggest challenge for us is our feeling of complacency and almost a lack of ambition—that “can I go and conquer the world?” If enough people of your generation already feel, “I’m rich, Dad's left me a billion-dollar family office, why do I need to go and work anywhere?”—and more and more people think like that—and we don't go and build, and if we remain on the technological back foot, then it's not a given. The way we have built up our governance systems, it's basically the edifice of the Indian economy is built on the British Raj, which was control. And for better or worse, our bureaucracy may have held the country together, but the amount of rules and regulations you now have to deal with as a businessperson—you would know—the center, the state, the city, the municipality...

Host:

There's so much corruption at every level.

Manish Chokhani:

Yeah. And when you make so many toll gates, each and every person in that toll gate knows: if I delay you, your time has value; his time has no value; and he has no consequences for that. Unless there's a fundamental reset of our governance—which is possible—like we did with the IT system: faceless, use of technology. If you did the whole India Stack on payments by use of technology, a lot of that used to be cases of graft. There's Digi Yatra, for example, where you go seamlessly through the airport.

It's not that it can't be done, but unless we use this for governance, and most importantly for the judiciary... We've got six million cases sitting in the courts, in the high courts, and in India, the process is the punishment. A lot of the

startups that come here to set up for valuation eventually get frustrated, or they don't like it. You reach a point and say, "Who wants to deal with this? Forget about scaling."

"I have enough in my life. I can't fight this."

Host:

"I don't want to spend 20 years in the court."

Manish Chokhani:

Two or three major stumbling blocks are there. But having said that, the entrepreneur's journey is an odyssey of adventure, and part of that adventure is dealing with this. That's why you make margin—on how much stress you can take. That's the margin you get. **But the challenge still remains that this throttles your ambition, because it kills your spirit from time to time:** "I did so much, and yet this is how I'm being treated." All of us—across people in my age group, in our friend circle—all of us at some point have felt that despair: "Why is this treatment being meted out to me?"

Host:

You just wish that it wasn't so hard.

Manish Chokhani:

And sometimes, you go out and do business outside, and you're looking—"There must be something more that I need to be compliant with"—and you realize there is nothing.

Host:

Yeah, and just when you can take people for their word. For example, in the US, people are so straightforward. They're completely in your face; they will objectively tell you—versus in India, where it's...

Manish Chokhani:

You have to keep following up, following up, following up, following up... and then follow up.

It's not an Indian problem. The whole Silicon Valley is being run by Indians, and now even a lot of political power has come to Indians outside. It's not a problem with Indians. It's the way we are being governed that I think needs a

reboot of some sense. We have the best of the government today, compared to what we had, but is it going to take us from here to where we ought to be in the next 20 years?

I'm hopeful that there will be a bigger reboot of this whole thing.

Host:

Yeah, absolutely, and the hope is that people like you continue to nurture the next generation of entrepreneurs.

Manish Chokhani:

Well, entrepreneurs and also people who govern us, because a lot of us — normally, anywhere in the world — **people of our generation would have already gone into some form of public service. In India, you don't even think of it.**

Host:

Yeah, like we don't have a DOGE for India.

Manish Chokhani:

But anyway, let's stay optimistic — there's a lot of good things.

Host:

Absolutely. I don't want to go down that rabbit hole. That is why the show is called *The India Opportunity*.

Coming to valuations, because you touched upon that — like everyone talks about how the Indian valuations are obviously at a premium compared to what you see in China, and when you look at some of these global players, sometimes you often wonder how can you justify the valuations and the premiums that you end up paying in India. What is your mental model for thinking around that?

Manish Chokhani:

Look, let's be honest — if your capital was allowed to leave India, we would not have had these valuations, because your capital is strapped over here. LRS is like 200–250 thousand dollars. How much can you realistically set out? But let's say India had a free tradable currency on the capital account.

Business people have all gone and — Tata has acquired a JLR, and Birla has gone and acquired a Novelis, and so on. **People have gone and made bets abroad, but yet not at that scale which I'm saying India ought to be doing. Even our IT and pharma companies — they could have been a lot larger outside. And the Indian investors — I don't think are less smart than any of the investors in the world. If we had been allowed to invest, imagine what kind of reverse inflow we could have got as we booked capital gains abroad and brought them back. Because it's the Indians who are building all the great tech companies in the US,** and everyone in our circle knew about Amazon, Google, Microsoft, Nvidia doing well months in advance, and we would have made tons of money if we had all been allowed to invest much more capital outside India.

If that kind of phenomenon doesn't happen, then I don't know what we are up to. **But with this trapped capital, what happens is that rarity in India gets disproportionately rewarded.** If you look at valuations even in traditional businesses — I'm not even going into the new age ones because they're still so rare in the listed space — if you look at, say, a **Maruti Suzuki, which is owned 60% by Suzuki, it is worth more than the entire market cap of Suzuki, even if you ascribe only that 60% or 70% of its value to Suzuki.**

Host:

It's the same for Airtel and Bharti.

Manish Chokhani:

I mean, Bharti — of course, the parent is here — but even take a Unilever: maybe **60–70% of global Unilever's market cap is India, and these companies are growing in single digits. Even a lot of our much-heralded IT services companies — these are now mature, low single-digit growth companies, and they are all trading at north of 25 multiples.** When you look around the world, you would find many, many companies like this.

I think unless this kind of — how shall I say — "frog in the well" syndrome changes, we are doing ourselves a disservice. **Also, the foreign funds which come into India are not really knowledgeable in the sense that they hear "India is doing well," and money comes into an ETF,** and a lot of trade nowadays happens through algorithms. As long as the trend continues, the trend keeps continuing — until it doesn't. And then when it reverses, it gets very painful.

We are currently enjoying the boom of the last 4–5 years. But a lot of people don't have memory of the post-2007 bust of emerging markets when BRICS was center stage and China was the center of that bull market—and India had done very well also, but we went through a decade of underperformance.

China came and shot itself in the foot with what Xi Jinping tried to do to Jack Ma and others — just keep them in line. **Otherwise, China would have roared ahead. And in between, actually the China — Baidu, Alibaba, Tencent — they had become like what the Magnificent Seven were in the US. The Chinese wealth creation was enormous in between. While the indices never showed it, people made tremendous money in China as well.**

I just say — enjoy it while it lasts, but I don't think you should take these valuations as your birth right and that these will last forever.

Host:

Yeah, because a lot of people, especially who got into the markets after COVID in their 20s and 30s — this is pretty much their first cycle that they are experiencing, and that too, not a proper cycle, because this is barely a correction.

Manish Chokhani:

You know it was pent-up and there was a lot of pent-up demand also, and we discovered trading on our phones—it became a pastime as well. Everything is gamified, which is a good thing. **Look, we want Indians to come and be owners of equity because the whole previous generation only went for safety.** They had money sitting in fixed deposits, or they used to go and land and park cash money over there, and so on.

This financialization is a great thing to happen, but this awareness of cycles of economies, of markets—**even if the economy grows tenfold in the next 10–15 years—it's not a given that the market has to follow, because we may have already priced a lot of that growth ahead of ourselves.** I would just leave a note of caution on that.

Host:

Yeah, absolutely. One would even say the companies which you talk about—this rate of change concept—I think we can talk about that also, because there is a lot of capital which is being thrown at companies which show high growth. Unfortunately, I feel that is also the reason why a lot of bad actors come into the system, where we've seen so many corporate governance issues being highlighted over the last few weeks and also, I think, years. How does one compensate and balance for that?

Because it's a very delicate balance. As founders, you have to find opportunities. As investors, you have to find opportunities which have integrity

in place, corporate governance in place. But then, on the other side, there's also a lack of investable securities to get yourself into in some ways.

Manish Chokhani:

Well, at one level, the good news is in India, there's a lot of opportunity and there's a lot of assets. It's actually a very broad and diversified market. What's happening is, we tend to look at one sector at a time which is doing very well, and then you get FOMO that you're not participating here. **But in every bull or bubble phase, there is also something else which is having a bear phase.** I draw the analogy to the 2000 TMT bubble—**when the TMT bubble burst, it's not like the market died completely. On the other side, you had all these hard assets and PSUs which then took off, and you made 20–30x returns in a lot of those companies which looked boring.** Even in the current market, while attention is focused a lot on the narrative stocks and the new internet companies that have come out as well, it's been dull, boring companies which have also given you 10x in the last three–four years.

It's not that if you don't participate somewhere, you won't get it right. As you rightly said, **this force-feeding a child to make him an adult quickly has been the bane of our startup world. They started with SoftBank trying to say that if you go and you pick the winner and you over-capitalize it, this child will become an adult overnight.**

Life is not like that, because even the entrepreneur has to go through that journey of having that experience. It's like a mother has to take nine months to deliver a baby—you can't get nine girls pregnant and get the baby in one month. It doesn't happen. That's what I think they were trying, and SoftBank itself has had its own share of troubles. I'm just using them as an example. **In this urge to get rich quick, they did something which was against nature, and therefore, you had these consequences.**

With most things in nature, if you take a drug, you're going to bear consequences of that drug. If you keep that aside and you come back to basics—what is the character of a person? And I go back to this every time someone asks me to describe how do you pick entrepreneurs, how do you pick people, how do you gel?

I go back to an old concept which we had in our Vedic philosophy, but which people kind of denigrated and made it sound very casteist.

It's not about that. **They said there are people with different characteristics. There's someone who has a Kshatriya-type mentality. It doesn't mean you have to be born with it, but you have that mentality. That person, by nature, is a**

warrior, and that person is an expansionist. They want to grow the empire, and in that urge to grow the empire, they often fight battles where they might die. But that's the nature of that beast. They can't stop fighting.

They can't live if they are not expanding. They can't live if they don't have maybe 2x debt. In that, occasionally, you will get a great kind of noble king who's worried about his subjects, and that's what you call Ram Rajya and so on. But there are kings who just want to expand territory for the sake of expanding territory—because they say: "I'll be the largest, largest, largest"—they won't realize there is no end to largeness in the world, because it is one world at that spiritual level.

Then there are the Brahmins who are the most knowledgeable, but they don't have king-like characteristics. They will go to a certain level, they get their kind of fame, their knowledge is respected, and that's good enough, but they won't scale. He's the opposite of the Kshatriya.

Then there's a trading community which is just happy to make a profit opportunity. You may get a PLI scheme sometime, you may get a regulatory arbitrage, and you make that two–three years of profit, and you're happy to take that. Like a lot of our startups I allude to—they were actually just doing a regulatory arbitrage and a copying of someone else's model. It's not something unique that you're building. I mean no disrespect meant to anyone, but that's the character of what you're doing.

Now imagine if someone has force-fed one of these merchant types or one of these Brahmin types and said, "Now you go and behave like a king." He can't do it.

If someone had told me, "Go and build an empire like Adani, Ambani," it's not my nature—I can't do it. You can give me all the capital, I may even have the managerial wherewithal to put the resources, lead a team, mentor them, and all of that. But if it's not there in the pit of my stomach that I want to go and build this, it's not going to happen. That disconnect is where you often find that these companies are going wrong. In that eagerness to say, "How come his kingdom is bigger than mine?" you end up doing stupid things.

Occasionally, you get these rare characters—like a Brahmin with sort of Kshatriya traits, or a Kshatriya with a Brahminical trait, or a merchant guy with a little more sort of Brahminical kind of thinking—and those companies become tremendous wealth creators for extended periods of time. That's really what you look for.

Host:

Can you exemplify that? Because I'm sure you would have.

Manish Chokhani:

You see the best in India, like all of us, **the house of ENAM really got built on something like Infosys. It was the company.** Why did it become so famous? Because everyone was in awe — someone with knowledge, someone working in a clean manner, sharing wealth with everyone, can create this kind of wealth for everyone. **I think if there wasn't an Infosys, we would not have had a tech ecosystem in India.** Tata TCS is a great company, but it was private, so the story wasn't well known.

Wipro, which was the other great company, was almost entirely held by Premji, and the division in the beginning was held within a conglomerate structure because he also had consumer electronics, consumer care, and so on and so forth. That became the *aha* moment which unleashed India.

And India post the 1990 reform of Narsimha Rao is what unleashed what I call the era of brains and brands. The coming of Marico, which built a brand, came out of Bombay Oil Mills and built a branded company. Zee TV came out — all we had in our life growing up was Doordarshan, and we watched, I don't know, one *Chhaya Geet* and *Mahabharat*, and that was entertainment and that's it. Things like that came, and for the first time, **Indian entrepreneurs saw and thought that, "I can go and do something at the world level and compete with the best."**

I remember I used to serve one of the largest institutional investors from abroad. It was an *aha* moment for me when one of the heads came and saw Infosys, and he was shocked with the quality he saw. He said, "Why is this company not trading at 10 times sales?" Now, we guys were 10-times PE multiple buyers, remember, back in the day. To hear someone use that terminology was like, for a student of Graham and Dodd, discovering Warren Buffett — that he talks about businesses and characteristics of businesses and people. Those kinds of things, when you find, you really hit jackpots on those kinds of companies.

Host:

Actually, I've read a quote by Masa, and he often likes to compare entrepreneurs to great athletes, where he says that just by wishing on some things, great athletes can often bend reality. That's what great founders also can do. But given the performance of some of the companies, that is questionable at the end of the day, because what you are saying is...

Manish Chokhani:

Look, to each his own. Because there are so many people — that's why you have a market. **If we all have the same view, there would be no buyer and seller, and that's what creates opportunities for you. There's nothing right or wrong.** What works for you works for you.

Like I said, you can be the richest guy in India, and then you realize there's someone five times better than me in China. And the Chinese realize there's someone five times better than me in the US. It's never-ending race. And if you lead your life on the basis of money, power, fame, you're only going to get disappointed. Like they say in our Upanishads — eventually, there's no joy in the finite; you'll find joy only in the infinite.

That's our journey, which we keep coming back to. As more and more realization comes, we get more and more humbled by how little and meaningless we are in this world.

Host:

Absolutely. Has your relationship with money, power, and fame changed after all the inner work that you did?

Manish Chokhani:

Yeah. Look, number one — **I think we tend to be born with some *sanskars* of our last life**, and I can now reflect back and say I always knew I was going to do well in life. I had this self-assurance, even when our business was going downhill, I didn't have fear. It's like, you know that you'll come out okay.

As you grow, the vision and the opportunities keep expanding as well. **As you expand, you realize how little you need. I'm not going to wear more fancy clothes. As you get older, you can't even eat a lot more food.** You don't really have bad habits. You want good company and good friends — that's not going to change. **If your friends change because of who you become, then you're a really sad person.**

It's like a scorecard — when you're in school, you get a good score in your mark sheet. **The joy is in the learning, not in the mark sheet.** It's maybe a validation, but nothing beyond that.

I remember I would carry my mark sheet or my degree, and I would write it next to my name. After a couple of years, I was like, "Why am I writing my degree next to my name? This is not who I am." Same way — it's not your company, or the card you were carrying, which was a very powerful card. Then you realize this card doesn't define me.

Again, as we say in our scriptures — I'm not a body with a soul; I'm a soul that has a body. **Therefore, all this doesn't define us.** It's a profound thought when you say, "I'm a soul that has a body." Otherwise, we are so consumed with our body, and therefore our self-image, and our ego, and our perception of ourselves.

If you think, "I'm the richest guy in the world," there's always someone ahead of you. If you think, "I'm a powerful person," there's always someone more ahead. If you're famous, someone is ahead. I saw this very early in life. I was fortunate — **I had a lot of friends who came from families which were either very rich or very famous, and those families went through lots of ups and downs, and the kids were not particularly happy.**

I said, "This can't be the real meaning of life." It don't want to sound preachy on a show like this — your audience is very young.

Host:

No, not at all. Because I think people can make very informed decisions in their earlier years if they have this kind of spiritual knowledge...

Manish Chokhani:

I explain in the most simple way that if you can have an attitude that I'm an actor in a play, and the role that I'm playing is in this play, therefore I'm not this character. If you start thinking I am Shah Rukh Khan and therefore this life revolves around me, you're doing a disservice to yourself. **In this play, I may be the hero. In the next play, God will put me in the villain's role so that I could learn from that villain's perspective, why he or she was behaving in this manner.**

In another life, I may come as the father of the hero to get that person's perspective. In another life, I may come as the female character to get that perspective. Our soul's journey is to actually do this kind of learning. Like we come to college, we learn physics in one life, but we may come and do mathematics in our next life, and third life maybe philosophy or whatever. We're coming here to learn certain life lessons.

If I start thinking, because of the role that I'm playing in this current life, if I am Elon Musk in this life, I'm a rich dude and very smart. Next life, who knows where you're going to come? You may land up in Russia in your next life, for example. **Therefore, very early in life, you can find out your true nature, what is your purpose or why you're here in this life. It could be to solve some relationship issue. It need not be something so grandiose as solving the world or making a billion dollars or whatever.** Those are all incidental. What you call

memorandum of articles—the main object is finding this out—that solve this life's purpose, and then the ancillary objects will take care of self as kind of helping you in this journey. **You may become very successful, but it may be to find out how people behave, how do you deal with envy and jealousy, how do you cope with envy of someone who's doing better than you. If you can be equanimous in that journey, that is a successful journey.**

Host:

I think Charlie Munger often talks about this, right? Like envy, resentment, comparison—all these things are completely... like can you imagine?

Manish Chokhani:

Warren Buffett's worth was more than 200 billion dollars? His partner Charlie Munger dies at age 99, almost 100, had 2 billion dollars. He's one percent of his partner, but you never heard them comparing with each other. Never heard envy coming out of even one sentence of Charlie Munger. Never looked at Buffett talking of Munger in a little condescending tone. And Charlie was the intellectual powerhouse behind the building of Berkshire Hathaway, and Warren Buffett often says that. End of the day, okay, you have 200 or you have 2 billion—what are you going to do?

Nemish bhai tells me very well, he's saying three things will only happen: you'll pay more tax, you may do more charity, or your descendants will be frying private jets. How much can you consume in your life? Even if, let's say, I don't use numbers, but let's say Munger has 2 billion—he couldn't consume the 2 billion. He left 1.9999 for his descendants or the charities that he supported. What was the point of just chasing that? Compounding also, I've come to realize—it may be sort of heretic to say it—what are you compounding for, if you're not able to lead a life on your terms, which is your definition of success and happiness? Just having a mathematical number at the end of your life is of no consequence.

Host:

Going back to your example of saying that finding one's true nature and realizing that early on really helps you—I think you had that same intuition before starting your investment venture, ENAM Holdings, at that point. Was that something that you were in tune with even then? I'm asking this for people in their 20s and 30s....

Manish Chokhani:

I'll be honest. My father started his life in a very humble way. He started as a supervisor in a factory and grew up to then eventually own his own company. His aim and hope in life was that I would come and then run the company, which was in flexible packaging and it was an industry of the future. All my training—I did CA because I needed to get numerate. I wasn't an engineering bent of mind, and then the MBA was really to go and broaden the horizons and see the world, and see what else is happening in the world and then see if you can apply it to your business.

In the course of my journey in London, where I was doing my MBA, I had the chance to work for a leveraged buyout fund—what a summer project and a second-year project. I was like wow, this is like second nature to me, and it's not a world I had been exposed to at all. When I came back, unfortunately the family business was going down the tubes. We used to supply to Hindustan Lever and Nestlé and all of that, and I'm like “I can't be doing this my whole life—sitting outside the purchase officer's cabin and begging him for business. Then they change their mind and their whims and fancies, and they have all the bargaining power.” By then, doing an MBA, you start thinking about Michael Porter, competitive forces and all.

In that journey, my father introduced me through one of his friends to Vallabh bhai's eldest brother who's no more now—Manek Bhai, and one thing led to another where Vallabh bhai said something which he may not remember but I never forget. I remember the moment of epiphany for me. He said, "Son, you come from a business family, you will look for opportunities, then you'll put resources around that opportunity to take advantage of that opportunity, and then you'll have control of that business.” But back in 1989-90, you may not have an exit because there wasn't such an easy M&A market. We were indeed suffering; our business was going down. We were seeing it going down, and how do we even exit it? We can't even close the business, nor can you sell it.

He said, “But if you come with that same mindset here, look for the opportunities. They are often ready-made management teams because someone has also taken the risk. It's nothing unique that you're doing; someone else is playing. You can find out who the leaders are, and at appropriate times, you can have as much ownership of those businesses as you want in the listed market. The only trade-off you have to make is in your mind—that you will not have control. You'll have ownership, but you won't have control. But remember, you have exit, which means you can take the boom of different industries and different cycles and do much better.”

Actually, by God's grace, from where I am, maybe more than a hundred thousand times up from where I started my life. If I had been doing that

business, maybe even a thousand times up or ten thousand times up, it would have been fairly successful. But this just opened a completely new world. **The fun of our profession is you meet the best people in the world, you're learning all the time**, and that plays to my nature. I'm a student till the last day of my life. I'll be reading, till the last day of my life I'll be meeting people and learning, till the last day of my life I hope I can travel and see what's happening in the world. Being aware of what is going on in the world is what makes you a better human and a better investor. It's the same thing actually. That epiphany, I'm glad it happened to me early in life; otherwise, I could have been running some factory somewhere.

Like I said, from a young age I knew I was going to be successful whatever I do. I don't think I had a doubt that whatever I do, I do with excellence. I have a nature—even in school, I had leadership traits. Even then, building up class monitors, house captains, I became head boy early, so all that just came naturally. But sometimes you may not get that opportunity; you may not have that luck in life. If you start manifesting and going in a direction which is in tune with your nature, you just make yourself more and more open to getting that luck. I think that's all you can do.

Host:

You've come to the right place because I call the tagline for this show a front-row seat to people building India's future.

Manish Chokhani:

No, it's true. Look, Shristi, **let's say you're born in Europe and you're very bright, what do you do when the demographics have gone against you, the regulatory environment is frankly hostile? It's the greatest place to go for a holiday, but if you have to live your life there, you begin to wonder.**

But it's again like what I'm saying here will apply—they are already rich. **If you're \$80,000, \$90,000 per capita income and you're next gen and you've inherited a couple of million dollars and you're living on the French Riviera, why do you need to work?**

So you see the laziest people in the world happen to be in the best places. You go to Spain, Portugal, you don't find them working. **The people who are working harder are those who have come from a little hostile environment. The Scandinavian countries, you'll find.** Even in India, you see the entrepreneurs from where they come. They don't come from resource-rich states; they come from states where you have to go out and make a buck for yourself. I'm again

saying God is putting you in a certain situation to draw the best out of your soul for a particular learning to come from.

Let's say Warren Buffett said this famously, he's saying if he wasn't born in the US and was born in Bangladesh with capital allocation skills, where would he have been? *If we are being born in a country like India where, frankly, you still have 90% of your GDP ahead of you, 90% of wealth creation ahead of you, you're looking in the front. If you're in Japan, you're in Europe, you're looking in the rear view mirror; the best years are gone.* But those countries were built by people who came out of hardship and struggle. Post-Second World War, would you have given a chance to Japan? And look what they created.

India and South Korea had the same per capita income in 1950. Look where South Korea is and look where we are. You can make bad choices; you can be dealt a good hand and make bad choices and still not benefit. All I'm saying is try and find what you're good at, go in that direction, and get yourself open. Be ready to get lucky.

If you don't have that readiness, you can't just sit back and say, "Oh, I'll wait and someone will throw me a stock tip, and I'll make money and I'll get lucky." It doesn't happen.

Host:

And what you said about being expansive is, I think, so true because when you set out on that path, then the opportunity is just magnified. I think there is serendipity...

Manish Chokhani:

Look, our nature is, again, come back to the same thing again and again—that if we are basically that one soul which permeates the whole world, we have taken a particular form in this play to experience certain learnings and emotions. But your nature is I want to be expansionist. A spiritual person is very unhappy living in a city.

Like you call me to Lower Parel, it's not joy. What do you say, we'll meet on a hilltop and I'm looking down at the river and I'm looking at snow-capped mountains—your soul feels alive.

Host:

Maybe next recording we'll live in the mountains.

Manish Chokhani:

You'll find people who enjoy that openness and vastness. That is spirituality—it is nothing else but being one with everyone else. You're not distinct; the minute your ego and sense of self become very great goals, you'll dissolve into everything else.

Host:

Absolutely, and coming back to ENAM's journey because I find it very fascinating that **in such a short span of time, you were able to become the household name in terms of a banker that everyone trusted—be it the Birla's, Raheja's, Infosys.** How did you inculcate that or how did you build that level of trust with all these people?

Manish Chokhani:

Honestly, credit must go to the founders of ENAM. I have always said they were the architects; I was only the interior designer. They built the house—the cultures, values, and what I call the benefit of good company. **That spirit, even after we've had this whole journey together, even after the businesses are largely sold, yet everyone sticks together as a family** because you were united by those values. It was not about that business ever. Both Vallabh bhai and Nemish bhai come from a Jain background, I may have come from a Sanatan background, then I've also gone into Vipassana and Buddhism, but I also understand, follow, and respect Jainism.

The basic precepts are all the same. It's all dissolution of identity, right attitude in life, right speech, right action, right profession, and so on and so forth. And it was out of a sense of service that the firm operated. And that's how you resonate, right? The first meeting—**I met Vallabh bhai as a stranger, and when he said that one sentence, which I told you earlier, after which I said, “can I start from today?”**

Host:

What do you think made him bet on you or believe in you at that point?

Manish Chokhani:

There is a certain backstory to it; I won't get into it, but even he saw a spark, because my question to him was, will I get that chair one day or not? He said, if you don't want this chair, why would you come here? Whereas if I'd gone elsewhere and done a job with a large industrial house, that chair was always

out of bounds. At best, you can be the number two to the owner's son. **My father used to say, do you want to be someone's chauffeur for your whole life or isn't it better you drive your own taxi?** My dad used to say this also: if you look for a Kashi office, you will live in the extreme end of the suburbs at the end of your life. In the beginning, you'll enjoy the home and the chauffeur and all, but when you retire, you'll be back there.

Host:

That's what I felt about working at Meta, but I don't know in hindsight if it was a good financial decision or not—that is the questionable. *[Laughs]*

Manish Chokhani:

If you take something and you make it great, that is really the real purpose. It may work for us; for someone else, it may not. Someone may need a steady income and may have a different life path. No disrespect to anyone, but like I said, things come together at certain moments—you just know that this is it for me, and it works.

There were enough times in the journey where a lot of the foreign clients I serviced—they all knew there's a bright chap and he can be of great value. I could have been India head for firm A, firm B, firm C, relocated elsewhere, left my family behind, gone to the US, gone to Singapore, wherever. **You make certain choices which land you where you land eventually.** Like we also describe it—your young audience will understand—it's like a multiplayer game which is set out, but the game is not pre-deterministic. You'll start from here, and you'll end depending on what choice you make. There may be eight or nine outcomes, but it's not beyond that in kind of the role that you're playing.

In that context, I think the group of people who got together at ENAM, the values which all of us live by—we all lead balanced lives. **On a side, I say we also need to all be good cricketers, and we all need to be good singers; otherwise, we don't qualify.**

Host:

Is that still happening?

Manish Chokhani:

Very much so, but at another level it is that familial feeling of building a company, and then as the journey grows you realize how the game expands more and more and more till you come to a point where you say, look, now this

investment bank, which was really built to help younger companies of the sort you're describing today to bring them to their great stature — and some of them we could co-invest in, some of them we only help as investment bankers — **but now it's become an army which needs to be fed because you need deal flow to stay on the league table. Then it's no longer the original objective we set out for, and it needs a natural home to fit into.**

Also, it's becoming a balance sheet game: if you want to do M&A, you also need to be good to your clients, you have to provide debt, and we are not a debt house. From that perspective, **the kind of business needed a natural home as well,** and again we went through series with there being people from Japan, people from the US who were owning us. **We eventually chose to go with an Indian firm and merge with Axis Bank, but I think the journey was done gracefully, money was left for all our colleagues in the company as well, and we still remain friends.** There are enough people Vallabh bhai has trained that I have had the fortune to train with who are doing well and successful, and you feel happy.

One more thing **I'll say about our capital market profession is most people in this market are very happy to see somebody else's success. When I look at normal industrialists, they're very envious of.**

Host:

It's not true in other industries.

Manish Chokhani:

It's not true, and therefore I find it's like that. **I wrote a piece many, many years ago for the Economic Times calling the capital markets "the path to Nirvana" because this concept of being attached and detached — you're investing and you're helping, and yet when you sell out, you're detached.**

And you have to be objective because at a certain point, if you don't sell out and keep living in the bubble, you're going to destroy your capital as well as your peace of mind. **So I think it's a fast-paced spiritual laboratory. That's why you end up in the capital market: either you go berserk and you become like one of those famous stock operators who try and eventually blow up, or you end up on the spiritual side over there because it's really a fast-paced laboratory.**

Host:

Yeah, absolutely. I couldn't agree more. But when it comes to the 400 million dollar sale to Axis Capital, at that point what were the strategic and emotional implications on the founding team?

Manish Chokhani:

That's what I said — there is some innate logic to what the business needs, what the team needs, and if we are not the right stewards of that to take it to the next level. It's like how you get your daughter married: you don't say, "I'll keep my daughter with me forever." There is an emotion attached to it, but there's also a joy that the daughter is going to a better family and a rightful place for her.

I think, okay, maybe it was most emotional for Vallabh bhai because at heart I'm an investor. I was running the investment bank really as his steward, almost like an adopted son, to say, "Take it forward." But he knew well also it's not in my heart. We were looking also for other people to be CEO at different points. Nimesh bhai, who was the partner, has always been an investor through and through; Akash, who's Vallabh bhai's nephew and Manek bhai's son, has been an investor through and through.

So, if you're an investor — and I say this again with no disrespect — you're basically a farmer: you're planting a seed, you're waiting for the crop to grow, and then you may reap it, harvest it, or even let the crop continue.

But an investment banker is a service provider or, at a certain level, when you go to a certain site, you're also a hunter because you're looking for a mandate from someone, you're looking to make fees from someone, you're looking for something. If you're doing it with the service mindset, which I think we were originally — and all the investment banks originally start with that — “how can I help this other person grow?” Till there comes a point where it becomes like a listed company. It's a treadmill: 30 assignments and each IPO has become like one more potato in, potato out for you, and that's not the right way to be doing it as a business.

Then you're like a doctor who was a family doctor. When you asked us earlier about how we built trust—our behavior pattern was of a trusted family doctor. We were not prescribing a medicine which we would not take ourselves; we would not do a transaction if it wasn't right for the person.

But if I'm now running an investment bank with 500 to 1,000 employees who need bonuses at the end of the year, the mentality becomes very different. Already by 2005, 2006, 2007, with what was happening in the US, you could see how greedy the world had become and how this crazy bonusing system had changed people's behaviors. In our own firm also, I saw it and I remember

feeling a great sense of discomfort at that time. I think I even wrote in that article, and we used to have frequent discussions, that we guys are being rewarded far beyond what we should be.

You take a doctor, you take a nuclear scientist, you take any other profession: the analyst is coming here, writing wrong English, and he's getting two crores a year and still thinking he's the cat's whiskers. There's something innately wrong with this system; this is going to blow. Not that I knew about subprime in the US or that I was some great knowledgeable person, but how do you get that sense from the world that this is going to blow?

I think it's a combination of things: what was meant to be, **I think we did the right thing. We've all been very, very happy about it.**

Host:

I think that's the natural evolution of funds as well, right? Like we see private funds in the private space: fund sizes just get bigger and bigger because everyone's after the management fees, and then you have to question the quality of some of the investment.

Manish Chokhani:

You've seen that happen to the greatest of funds, right? In this round, I think Sequoia has been the very popular name, but back in the day it used to be Kleiner Perkins.

What happens: **fund management as a profession and investing as a business are two different things. In that fund management business, marketing is the key role — how much more resources can you bring from where — and the CIO is not necessarily the most important character. It's the chief marketing guy who's bringing in the bucks.**

Even in investment banking, I had this terminology: we used to call them finders, minders, and grinders, which will apply in most service businesses. **Eventually, the minders are always thinking that, "Hey, I'm doing all the hard work, I'm the knowledge worker," but it's this character who knows how to network and bring a mandate in or charm the client and bring him in who's making all the bucks.**

Then how the pay goes and how the bonusing system works just creates a system which is inherently unstable beyond the point. I think the same applies to the fund management business because **PE funds are now investment banks with a wallet, and they are behaving as such.** Therefore, you're finding those

traits coming out more and more, and therefore we've chosen — we could have gone and raised billions and billions and billions of funds — but by grace of God we've all done very well financially.

And if you can run investing for yourself and you're not running against a benchmark, you truly make better investments, better-informed judgments, and you're building crops which you hopefully are proud of, and more than that, you're building character and culture in your own families in which you live. I think that's been what it's about for us.

Host:

Because I think in the startup space, especially with Softbank coming out with a 100 billion dollar fund, then Sequoia came out with a multi-billion dollar fund which is 4x what they had previously done. It just kept inflating fund sizes, because of which I think overcapitalization happened and we've gone through this whole vicious cycle, as I would call it, but there will be corrections.

Manish Chokhani:

But it's a cycle. When everything plays out, the firms with good cultures and good traits will always outlast and live beyond. **It's happened in every business, but having said that, the Fortune 500 changes, the Nifty 50 changes, the fund management 50 changes, but there are always those three, four, five which are left.**

Host:

And coming back to Nemish bhai and Vallabh bhai, what were some of the core principles or wisdom that you imbibed from them?

Manish Chokhani:

Oh, lots. I mean, look, it's not like you're not writing it down; there are lots.

Host:

But what are some of the big life lessons so to speak...

Manish Chokhani:

I think I've done an interview, I don't know if I shared also. **The first thing to start they used with is, first of all, know yourself.**

And I give that example: if your basic characteristic is Ravi Shastri, don't try to hit the ball like Sachin Tendulkar.

I could be sitting in the room with Nemish Bhai; he has a different risk appetite, he has a different knack of grasping certain businesses which I don't have. Don't copy me, build your own style. The Xerox copy, we say—I do my presentations at FLAME [FLAME University] now—that the Xerox copy is worth 50 paise, the original is the one which is the masterpiece.

In the art world, the guy who copies a Hussain will not sell a painting at a crore; he's going to get one lakh. Same with investing, everyone says I'm Warren Buffett, but there was also George Soros, there was also Peter Lynch. Each person comes with his or her own style, and if you can't be original, you're going to suffer.

It is to understand there are cycles in everything in life and the cycles of nature, and apply that to investing. Three, everything is impermanent—again, a spiritual background—that this too shall pass. The bull market will pass, the bear market will pass, this company's glorious journey will also pass, this person's journey will pass, and so on.

A lot of those kinds of little things which I think, if you kind of infuse spirituality into whatever you do in life—whether it's business or investing or whatever—I think those are really daily life lessons that one learned from them.

We didn't have FOMO; the market's going up, we lived through Ketan Parekh, we lived through Harshad Mehta, nobody in the firm bought any of those crap companies. We never have FOMO. Even now, there are a lot of companies which are going up 100 multiple, 200 multiple, you can have FOMO, and in the market, I know what's happening.

We will not participate. It's okay. They had that self-restraint which comes from evangelism that we will not participate in anything to the harming of animals, tobacco, liquor, and so on. When you decide this is my kind of boundaries and this is also my circle of competence, and you're playing to your strengths, then you only swing like Buffett says—you swing when you get a fat pitch.

I can hit this ball for a six; otherwise, why are you swinging? We are not trying to make two runs, and it's our own money. You don't have to participate in everything; you can miss 80% of the market and still end up very wealthy, and even if you miss one cycle, you're there in the next cycle. When I say compounding of a hundred thousand times in 30 years, even if you do 10 times in 10 years, you'll be 120, you'll be a thousand in 30.

The rate of compounding can be incredible in India because the opportunities are so much. I don't consider myself some fantastic investor, I'm a slightly above-average guy. But I honestly mean it; there are a bit much better investors out there. I also saw the flip when I went overseas—what is so great in these guys?

We are worshipping them. I even work for a large PE firm globally; other than the currency being 80–90 to the rupee, the units they were handling were the same, the brainpower is the same. It's like your Facebook. I mean, sure, Mark is a great guy and Cheryl was a great lady and so on.

But if you had been there in that place, you would have done it as well. Today, Satya Nadella has done wonders at Microsoft. It's not about Indian versus someone over there; it's what opportunity you are in and what your relative currency or your relative balance sheet is.

I think knowledge-wise, there are enough people in India with as much knowledge and wisdom on investing or business as they are elsewhere in the world. I think the economies are ahead of us, maybe the governance systems are ahead of us, maybe the revolution stage is ahead of us, and therefore they are where they are. I never doubt for a minute that our country is destined and bound to catch up, and even though we may have periods of darkness, if we miss even the next 10 years, I think of ourselves as a civilizational country, not just the next 10. At some point, we'll catch up because youngsters will come, and eventually a nation rules because of tech prowess. It's about knowledge, end of the day; those countries rule. We used to be the knowledge center of the world back in the days of Nalanda and so on. Then we went down and we are coming back slowly.

We are not yet there; we are still processors for the world. But the day we say “no, we want to have technological leadership” the way the Chinese did—I'm so amazed at what they've done in the last 15 years. They no longer behave subservient to Western tech and they're leading in almost all tech.

Host:

Their attitude was that we build it ourselves.

Manish Chokhani:

They're going to lead on that. It's their governance which may blow them up. The attitude of “I'm the king and I know best,” or this very abrasive behavior with the rest of the world, that may blow them up, which indeed happened to the US as well. Till the point the US was this nice liberal power looking after

the world as elder brother, as opposed to now trying to behave like this very cousin brother fighting for his rights.

It's a character change, and that result will show in the world as well. Same thing for us.

Host:

You said that you admire some other investors in India. Who do you look up to?

Manish Chokhani:

No, there are lots, honestly. All you're saying is there is God in everyone; there's something to learn from everyone. You started with saying something I sent you, but there was a call which you made to me and it took me what, 30 seconds?

Host:

Yeah, I was so surprised.

Manish Chokhani:

Because you described your journey and I know where your journey is going, and that's all it took to say "I can connect with this person, there's something to learn". See, even you need guts to call up—you're sitting in UP, you're calling some random guy in Bombay, and then you're saying, look at what I'm doing and this is what I want to do. I'd like to be helpful because there are 100 million investors coming out of UP.

If UP doesn't become a trillion dollars, there's something wrong with our country. Let those guys come, let them participate. Why should only the foreigners make money in India? Let our Indians get rich as well, and if more than that, **if we can rediscover our rich spiritual heritage to become really true, like what I call human beings. I think it's about that;** it's not this Western thing of more money, more fame, more power. *Voh hoga.* **If you're over 30 years old, in 20 years, if you don't go 100 times, which is 24% compounding, it will be 15%. Fifteen percent is 15–16 times in 20 years. You'll still be enormously rich; it's going to happen.** You are in a country which is progressing; you'll grow at 8% plus 3–4% of inflation. *Voh toh hoga hi.*

Why are we so anxious? Enjoy the journey.

I think this generation also comes with a lot of FOMO and hustle. It's true at a young age; I can't say when you're 25 and you want to be like, "I need to make it in life."

Host:

I think this generation also comes with a lot of FOMO and hustle. It's true at a young age; I can't say when you're 25 and you want to be like, "I need to make it in life."

Manish Chokhani:

It's true at a young age...But even I was 25 years old...

Host:

What would you tell your 25-year-old self?

Manish Chokhani:

I think 25-year-old life today, I would have spent more time getting spiritual far earlier.

At that time, it was about being *dedh shana*. Even now I tell my kids, they're both Ivy League graduates. They come back with that certain cockiness which the US builds into you, and with no disrespect, they're very knowledgeable. They've gone and competed with the best in the world; they can take on the best in the world. **But that surrender and that humility, which comes from knowing I am no different from anyone else in the world and I'm playing a role in a play where I've got this particular character to play in this life**—there has to be some gratitude attached to it, like the people I met in my life, the people I served as a banker to them.

If I was running flexible packaging, do you think I would be sitting in the same room with Mr. Narayan Murthy, with Mr. Mukesh Ambani, and so many of these legends? To get to meet them, I just feel humbled and grateful.

In our market, the kind of investors one has dealt with—from Nemish Bhai, Radhakishan Ji, Rakesh Ji, so many—you learn from everyone. Then you meet the youngsters who are coming and showing you new tech and what's going on, and if you don't stay contemporary, you're going to be an obsolete dinosaur.

That whole feeling of being engaged and alive all the time is what the whole fun of this profession is.

Host:

Absolutely, you always talk about asymmetrical bets because I'm a big fan of that. You have to figure out where you can have tremendous upside. Dive into that concept a little bit more—what made you realize there were opportunities?

Manish Chokhani:

Well, to be honest, that is first Nemish Bhai. He says if it's not, you have to be right on all the 10 bets, but when you win, you shouldn't regret that I only won so much. Let me take a step back. He's saying the only thing in your control is your entry. After that, what the entrepreneur does, what the economy does, what the world does is not in your hands. You may think, "I know perfectly, this is the momentum of this business, this is where it will go."

Regulation can change, the entrepreneur's mindset may change, he may start stealing money like you said—in some companies, with all good intentions, everyone starts. Regulation may change from the US, some tariff may come, whatever. Only if your entry price is so attractive that even the most bearish guy cannot come and shake your conviction.

You have to start with that knowledge and that conviction to know that what I'm betting on works for me, and you're going somewhat against the world because it won't be a popular stock at that time.

He taught us to think in terms of possibilities before probabilities—that is, is it possible this company can earn its market cap in its lifetime, maybe 10 years later, 20 years later? Is it possible? If you're buying a company for whatever 100 million dollars total value, can this company ever make a 100 million dollar profit? Otherwise, why are you going in?

I have converted it to an easy one for youngsters today: I say, in 5 years, can this company be a 5 PE stock? If it's very, very high growth, how many years ahead are you paying for? If you think no, no, it's 5 PE after 10 years, then do you have the horizon of 10 years to be with that company? Because after that, your real earning will start, because the eventual destination of most companies will end up somewhere between 15 and 25, like even take the great IT companies of today—they finally went on the journey of 100 and they are now closer to 20. At some point in their journey, it will be. The more you pay upfront, the longer you have to wait. If that asymmetrical bet then looks outsized, that if I buy this at, say, a 5 multiple 5 years hence, A, I know what journey could be, which means I better know the business and what could impact it, and B, I'm giving a chance for myself to get a PE upside, because if I'm already paying 50 PE, then what is my upside? My downside is on PE and

my only upside is earnings. Here, I can get both. Worst case, I'll make 15 PE's—will be 3 times in 5 years, which is 24% compounding—and if I'm hopefully in a good business, I can make 5 times, which is 40% compounding.

If you get a kind of bubble going, which occasionally happens in life and you get to a 50 PE, then wow, you're in heaven. When you get those, don't be pussyfooting. **The second thing he taught us was position sizing—that then don't buy 50 stocks 2–2% each; then you load up.**

Like my son, he made an investment 2–3 years ago, and he had a kitty of whatever, let's just say 100, and he found a company—which I've spoken about publicly, so I'll share—called Gravita, for example.

A very old business, picking up waste lead from batteries discarded from cars, macro theme is it will go into ESG, doing good for the world, and he's also an impact-oriented chap. You can see the profit of this company back in the day; you could easily see they will do three times in terms of profit.

There were fears because they were sourcing from the rest of the world, Africa—will the money come back, how clean, how dodgy, whatever. When you're unknown, everyone asks questions; **when your PE is 10, they are questioned; when your PE is 30, then broker reports will come with 50 multiples from there.** He met them, he went, visited, and came back very convinced that they can make 10-11% type margin.

This is the volume growth possible on lead, aluminum, plastic still lies ahead of you, rubber, so many things they can do. The team is completely united—a team built together from the founders, college colleagues, and so on, all been there for very long, and the runway looks clear. Because he was early in life, a young guy, he would have bought maybe two crores out of his hundred. I say now you size up over here, and this is where you'll make a hundred crores.

That's what I mean by it's an asymmetrical bet. You start with a multiple of, I think, probably 10 or thereabouts, then it went all the way to 30, and it's gone 10x for him in like three years. **It doesn't have to be necessarily a sexy business or a tech business,** and he comes from that sort of background where he enjoys tech and biotech. But this is the learning that **money is to be made everywhere; there are cycles. The last decade may have belonged to tech. I am of the view this decade belongs to hard assets—gold is going to do well, silver is doing well, uranium will do well, copper will do well, real estate is doing well.**

There are waves in the world, and you have to get aligned to them. That's the sort of learning which comes out.

Host:

Value investing has always been your forte.

Manish Chokhani:

There is only value investing in the world. Anyone who tells you otherwise, it's momentum investing. You may call it growth investing, but growth is saying what is the value I'm getting for this future growth, and at what point. That's how I described it. Let's say you bought Meta at a certain point. At what point in life was Meta also a 5 PE stock, looking back from that period in time? Like Nvidia before 2019—what were the earnings?

If you were the person who knew the tech and said these earnings are going to go up—they have gone up 60 times, some crazy number like that. I don't understand that tech, so I have no reason to participate there. I used to wonder someone buying this at 20, 30, 40 times sales—but that sales actually materialized. I have not seen that in my life. **I'm stunned with the rate of change in Nvidia. It's like a bubble that parallels what happened to Cisco in 2000, and I feel it will go the same way eventually because it's a capex-good stock.** But if earnings are going to go up 30, 40 times, if you're paying 30 times sales, 20 times sales, in three years you're going to look damn smart. If I don't know it and I'm just chasing that train and it stops suddenly, I'll be left holding the baby. **That's why I say, do you know the longevity of this business and what could drive its earnings?** Like Buffett used to buy in the old days, he bought brands. He was also paying a lot for the future; he was not buying 10 PE stocks when buying brands because the brands were the platform companies of that era.

Today, we are using a cooler term called a platform play. **Platform play means I'm doing all my investments upfront through my P&L, and then I'll get operating leverage.** For example, we did Lenskart when I was in my TPG days. We paid a lot for the future, but the guy is 28, super sharp, knows what he's doing, maturity beyond his years.

Twenty-five percent of India needs eyewear, plus he can go overseas, **and I'm going to make a 60% kind of gross margin here. Eventually, it has to come to a 15-20% type EBITDA.** On that basis, I can know what multiple of sales I can pay for this company because I know what the PAT will be. Let's say he ends up with a 10-time post-tax profit on his sales, and he'll trade eventually at 20-25 multiple. **Three times sales if you pay for someone like that, you're in business, and if you're growing at 50%, that means I've taken a bet two years ahead of time, so I paid five or six times sales.**

You can slice and dice it anyway, but eventually, you're looking for value and what I'm going to capture and in what time frame. **The fun with being a private proprietary investor is our time frame can be very different from the market.**

Host:

It's evergreen capital....

Manish Chokhani:

A local fund can be benchmarked every quarter; they may suffer one or two years until the trustees or the customers fire them. **A private equity fund, by definition, has a five-year, seven-year life cycle.** There's a company which we've been involved in now for maybe 10, more than 10 years now, and it's gone from basically zero to 300 million dollars of profit.

Now, if you were a fund, you would have sold out many times over, like even Lenskart, because of the life of the fund.

Host:

So, how does one decide when to sell in these...?

Manish Chokhani:

That was in TPG days, so they had a fun life, and they can't keep evergreening. They made the exit, and the next funds have come and taken it forward. **That's why the Sequoias of the world have now come back and said we want permanent capital because "we're helping these companies come to this stage, and then from here, again they become 10x, 100x, and we feel left out."**

That whole journey — how much do you want to play and be part of — is up to you. **Therefore, being the ultimate Nirvana as an investor is to be a private investor; I'm not answerable to anyone,** and if I get things wrong, only my wife knows, and she anyway beats me up for various other things, not only this.

But like I said, you design the life you want.

Host:

But in your son's case, for example, going back to the example that you shared, when would you advise him to start thinking about selling?

Manish Chokhani:

He did sell half his position in that company, not because it went up 10 times, but it was already trading—so the benchmark I gave him was that if this stock from this price falls by 33 percent, are you going to be a buyer? Because you won't get that 5 PE from that price, but to get back from a 100 falling to 66, the stock needs to go up 50 percent. If at that 66 you're not going to buy it, then you better be thinking of selling it because often, as an individual, we pay tax. Sometimes that tax starts messing up your brain.

I said don't let tax affect your consideration because the market doesn't know your tax problem, the market doesn't like the price, it's going to sell it off, and I think it had gone to, it was a forward 60 multiple at that time.

I think it was a no-brainer to do it. Having said that, I've learned separately, differently from Manek bhai. Again, a story I've narrated in the past is I used to be the original TMT analyst. I used to buy telecom and media stocks back in the 90s, and I'd written the business plan for the erstwhile ZTV which came public in 91-92, and by 98 it had come back to its IPO listing price. It was 70 rupees, 16 crore equity.

Like you can't imagine 130-140 crore market cap for ZTV. I'm like “this is a no-brainer, I know this business”. The world was worried because Sony and I think there were others—not Sony but other foreign channels—were coming, plus Rupert Murdoch had just bought Star TV. The market was selling off, and I was like nothing doing, the guy sitting in India will eventually win because they know how to do cost, they know what creative and so on and so forth.

But long story short, the price was so attractive, like I could buy this as much as I could buy; I didn't have that much money back in that day. I bought it, and within 12 to 18 months, it was up 10x. You think you're the cat's whiskers, young guy, 20-30 years old, 30-32 years old, your age.

I made a 10-bagger, I'm damn smart, I know this business well, and I start selling. Manek bhai was sitting there and saying, “Manish, this market is telling me something else is happening, don't sell it.” I'm like “I don't care about the market, I won't have bought it.”

Cocky young kid, and I'm selling it. Let's assume I put 10 lakhs and it became a crore, and a crore back in 98 is big money. In three months, it went up 20 times, 800 rupees went to 16,000. That was the era of Ketan Parikh.

It was completely crazy; eventually, it turned and came back to that 800 or equivalent only, where they split it and made it a one rupee share.

But imagine if you had just listened to the market and he said, “look at—what you call—higher top, higher bottom formation, let the market tell you. Sell it from a fundamental portfolio to a technical portfolio.”

After this day, I am selling based on price, don't discuss fundamentals. When you see the turn, sell it. You will still get a higher average price than what you're selling using fundamentals. He taught me to take signals from the market.

Nemish bhai's style is still very fundamentally oriented. He will buy when he wants, he will sell when he wants, pure value-based. He may hold for 20 years also; he doesn't care if stocks fall 50%. Some of us would say no, no, we should put a stop-loss amount, blah, blah, blah. Very distinct styles.

Again, what works for you works for you.

Host:

Do you still have those feelings of like 30–50% drawdowns in your portfolio?

Manish Chokhani:

Yeah, it happens.

Host:

How do you emotionally regulate yourself?

Manish Chokhani:

If my business is compounding, I don't care and I buy at underlying valuations, which I know what this business is worth. From early days in ENAM, we were trained to be business buyers. We don't think as stock guys. I'm buying the whole company; at what price am I buying the whole company? Then whether I bought 1% or 5% of the company determines the stock price.

I get people, my relatives even today, they call me and I can't change their behavior.

Like someone will call and I'll say you should be buying, let's say ICICI Bank or HDFC Bank. And they are like, “You are telling me a share of Rs. 2000, tell me a share of Rs. 1000, tell me a share of Rs. 10. That 10 Rs will be Rs. 20.”

Operating on stocks like that is not the way. What is the price you are paying for the company? They are buying that Rs. 10. The most traded share in India is

Vodafone Idea because it's Rs. 6. But people don't know the debt in the company, they don't know the equity has ballooned beyond imagination.

I feel sad when I see this. The reason to do shows like this is, **think like an owner. You are buying the whole company. Would you buy the whole company at this price? If not, what are you doing there? Are you buying on greater fool theory that I bought it, tomorrow the world will take 20% or more? That can't be the basis.**

Would you buy a company like that? But if you can't buy a company at the price you are buying, then you really make wealth if you are sitting on 5, 10, 15 years on that company because that company will compound for you. That's when serious money is made. Otherwise, every three months I buy and sell, buy and sell, buy and sell, and I pay my short-term capital gains tax. My end result is going to be nowhere.

Another mentor of mine has been Durgesh Shah. He has a great line; he says “activity and achievement are not related.” And the second thing I'll say since you're interviewing me, he says “don't mistake articulation for achievement”. The best investors are the silent ones who don't come on your show.

Host:

Yeah, they always decline. Some of them are really great ones. They always politely decline, saying that we don't want to be seen.

Manish Chokhani:

Because we know how many bullets we've taken, how many losses we have, and what all we've gone through to get to where we are. And what is the role of luck and patience and persistence in this as well.

Host:

How would you quantify the role of luck in your journey?

Manish Chokhani:

If we don't admit we are lucky, (A)why were we born in this family? Why were we born in this country? Why were we born in this profession?

Why did we have this kind of colleagues around us? I think we are giving ourselves too much importance for our own success.

Host:

That's a beautiful way.

Manish Chokhani:

Let's think 99% luck, 1% effort. You have to be deserving of that luck. All you have to do in life is work with whatever you do.

My dad taught me even when you go to a bathroom, you must leave it as clean as you expect it to be when you go in. Everything you do, do it with perfection and do it as if the next person will get the same as what you are getting.

Even when you are selling a stock, you want the next person to make money. I don't want to sell it at the absolute top. I will be cursed by that person.

Host:

But your mentality is very different from what we see otherwise fund managers do.

Manish Chokhani:

What do you mean?

Host:

Like, at least in the private space, numbers don't change meaningfully but the rounds keep happening, markups keep happening, and valuations get inflated on paper.

Manish Chokhani:

But we don't do that. We don't play that game. Whenever we buy, very few private companies, but when we are buying, first of all, why is this deal coming to us?

Because we are not the top dollar payers. Some fund will pay a lot more. If they're coming, either I can help this company to think through what they're doing, or they're coming from my ecosystem, or I can help them hire from people I know. **Then I am actually like a partner, and then it's worth devoting time, and I want to be at least 20% of the company.**

Otherwise, why am I there? **We are not doing these 60–60 lakh rupee bets across 500 companies and then what you call spray and pray that two of them will make up for 98 losses.** For us, our rule has been rule number one: don't lose money. If you're buying on that basis, two or three won't do as well as we

expect. Two or three will do much better than we expect. Four or five will be average.

But the venture way of investing is, you don't know what will be successful. **You basically are fishing in the right lake.** Let's say you do EVs today.

I would not do EVs today until I know BYD and Xiaomi have come out as the winner. Before they come out, then I know. **You can then load up at that time because it's position sizing; the absolute money you make is much more there than by having 50 of these over there.**

It's a different mindset, nothing right or wrong. It's just the way I enjoy playing the game.

Host:

That's a great way to think about it and put it as well. But with the advent of so much technological disruption and the advent of AI, a lot of people feel that you can't really hold on to companies for 10, 20, 30 years now because the world is changing so quickly. How does one think about that?

Manish Chokhani:

First of all, I do accept that the rate of change is very fast, and I myself am in the industry as well on technological change and disruption. We do invest as a family overseas as well. I'm completely cognizant of that.

Having said that, there are companies which by their character tend to be a little more agile and forward-looking.

Let's take Fintech, which is a big change happening in the world. The question is, in India, can the ICICI's and the HDFC's and even the SBI's embrace that technology and bring it inside because now they already have the customer base. Can they move? At the same time, there may be a new age bank being created. At one level, there was Bajaj Finance, IDFC for example is doing a good job on that front. Then there would be a Fintech which has come out also, which I won't name as yet.

If you play this whole chain, eventually how this ecosystem evolves. You know that I'm in the right place with the right players over here, and these will be industry and sector leaders. **At another level, if the person is oblivious to the disruptive changes coming in their business, we won't participate even if the stocks do well.**

I gave you examples. I did a program at Singularity, I think in 2016 or 17, and ever since then, I have not been able to buy auto stocks in India.

They've all done well, but I know the EV revolution is coming. I don't want to be sitting in Maruti the day it goes from a 25 PE to maybe a 5 PE because the earnings will collapse. We've had stocks, for example, like we saw this happening with Volkswagen abroad, which trades on a 4 PE multiple. There are stocks in China which were partners with BMW that trade on a 4p multiple. The rate of change is very, very rapid when the market loses confidence in the terminal value.

The same way on pharmaceuticals as well, I have a view that the world will go a lot more towards genetics and biotech and away from chemistry-based pharma.

India is largely playing in generic pharma, chemistry-based. I think that industry is ripe for disruption in the next 4–5 years; terminal values will change. I take the point absolutely, and we stay alive to that, which is why we are looking and investing all over the world and learning all the time.

Host:

Any other industries that you think...?

Manish Chokhani:

See, almost everything in India—you take the brands now—the D2C brands can come and dislodge a lot of the erstwhile brands. The pharmaceuticals, I have already told you what's going on over there. Our original IT services business is ripe for disruption.

I don't see how these valuations hold for them, the absolute numbers. They might scale down, reduce employees, and morph into a little more AI-enabled companies, but the fundamental character will change. Media has already changed irreversibly.

Telecom also kind of—it's now a dumb pipe; it's what content you're putting through the pipe. Eventually, can you do retail through it? Can you do financial through it? Can you put more media through it? That's the value of your pipe and how many subscribers you can have. That game has changed. FinTech and financials we spoke about; manufacturing with the advent of 3i robotics—this whole advantage. I think in four years I would expect my mom—she right now has four people as caregivers—I need one robot, and that robot can come at \$25,000, which is about \$1,200 a year on a rental. Four people are going to be

unemployed, and they're not particularly doing a great job, and we have no choice too. Manufacturing is disrupted.

The only thing which may not be disrupted is actually the old industries. You still need cement, and you still need copper to come out from the ground. You may bring it out more efficiently.

But everything is a tech business, and people who think otherwise are fooling themselves. Even in steel, what are the wealth creation stories that Sajjan Jindal did by bringing Corex technology? Steel is a 150-year-old business. Andrew Carnegie played the game right and brought it, and that made the fortune over there. If the owner does not have a tech bent of mind in the business, you are going to be in trouble. You can be HDFC Bank and think you are great, and you can be disrupted. I think it's part of our checklist when we are meeting people—to figure out how they are thinking, how they think.

Again, I'm going back to what I said about the character of this guy. Is he going to share rewards with the shareholders, or is he the umpire-builder where he wants everything for him? It tells you a lot.

Host:

What are other things on the checklist for you?

Manish Chokhani:

There are lots. I don't want to do that here, but see, I'm telling you there's a basic trait of a person: if his stomach is full, he doesn't misbehave. He's never going to be a good partner with you. Like a lot of PE deals, I was, again, even in TPG days, you sign these long-form legal agreements with the entrepreneur.

The CEO can do what the hell he wants. You're not there sitting, whatever board you put. I've been on boards where we don't know what the hell happened in the company. What will you do?

The CEO is doing, the team is going to follow the instruction, the CFO is going to probably support or may not even realize in many cases. The auditor is coming, auditor is looking, I'm getting fees from here, the auditor is signing off.

It comes to the audit committee where the chair is actually looking at everything. Poor chap is coming four times a year; he'll spend eight hours. How much more is he going to spend? You're not going and doing a forensic audit on every company.

To think I can sign a legal agreement and have a good business with a crook is never going to happen. Like Buffett said it well, he said, look for some of the energy, integrity, and passion, and if he doesn't have integrity, don't bother about the other two. You have to find if this leopard change his spots. Hard. You can't make a good deal with a bad person.

Host:

You can't know these things unless you track them over a long period.

Manish Chokhani:

But you see it in behavior. If you're very nice to me and then you go out and you're talking very badly to the watchman or the liftman, it tells me something about you. A good person is a good person; he's not looking, "I have to be good with this person and bad with that person. I can afford to be bad there."

You pick it up. I mean, it's something you learn with experience.

Host:

It comes over time. And since we covered the founder aspect and builder aspect of changing with technological advancement, how do you think the investment business will change? Because there's so much algorithmic trading, quant investing which is now gaining traction as well.

Manish Chokhani:

It's changed already.

The West is largely run by ETFs and algos. In more predictable markets and more predictable economies, you'll find the quants taking over, and already the old renaissances and all have made returns better than even Buffett. The thing is, again, investing as a business—what gives you the right to make 2 and 20?

What is so great? It's really, like I said, an investment bank with a wallet attached, and it's become a marketing game in the investment management business, and it's a scale business.

For example, forget even equities when mutual funds are selling debt products. Do they really have the risk management teams and the credit assessment teams that banks have? Do you think banks are stupid to have such large credit departments to go and assess what's going on? The funds are getting the benefit of someone else's work today.

Same thing in equities. The screeners have become more powerful. In my day and age, to even get the balance sheet of the company was a big deal. Now, I get everything pre-screened, ready with a forecast and everything ready to go, which means what's my edge?

Either it is a time horizon or it is some certain knowledge about the business or my position sizing. I have no information advantage anymore. If we don't evolve towards that world and with AI not being much, much smarter in analysis than even you and me, I don't even have that analytical edge anymore. In this business, as long as the trends are established, the quant will always beat you.

Where you're finding the change and you are able to capture that change, that's where you'll win. I think you should be humble enough to say at a certain scale—like today, we scale back and think if we make 15 percent return a year on our base, we're very happy. It's still a very large number. There'll be youngsters listening and saying, what is this old uncle talking about?

“Twenty-four percent a week or a month, and what is this guy talking about?”

But you will get to a scale where you should be looking more for permanence and longevity to build that capital preservation more than anything else. Again, Buffett—he's an absolute master. He says, rule number one: don't lose money. Rule number two: don't forget rule number one.

He says it eloquently because if you're in an economy with a tailwind like the Americans had, if you don't lose money over time, you're bound to make money. Like I said here, if you don't make 15–20 times in your next 20 years, even as an average person, you'll be unlucky. If you just don't do stupid things and don't get greedy, don't have FOMO, you will be up 15 times in the next 20 years.

Just keep that faith, I guess, and keep going.

Host:

Amazing. I think last question before I let you go. How do you think of legacy now? Now that you've had such enough confidence.

Manish Chokhani:

I don't think about legacy.

Host:

You've attained Moksha?

Manish Chokhani:

No, no, it's not that. Actually, before Moksha in Jainism, there is the concept of Arihant, which is where you're a—how do you call it? A bodiless soul.

Host:

True detachment.

Manish Chokhani:

You're able to see things objectively, your perception is not wrong, you're not deluded, you're not attached to the point that you can't even enjoy. Even enjoyment is a nature of the spirit, but also the thought that, "Oh, I can't give money away to someone," is also something wrong. That's also a form of attachment because it's like you are the wire through which the current is passing from God, or whatever we call, to the world.

In another place, I spoke about it as the river drop—the drop of rain which falls, becomes a puddle, becomes a rivulet, goes into the river, goes into the ocean. Your only choice: you're thinking, "I want to go to the Indian Ocean and not the Arabian Sea." But actually, you have no choice; you're going to land up in the ocean.

Then the ocean heats up, forms steam, and you go and become a cloud—that's your cycle going on. **If you get this—that this is who I am, I'm just this drop—you can't think of legacy.** Does the sun think of a legacy? Does the raindrop think of a legacy?

There's no legacy. You live a life.

Host:

What a profound message to end the episode with. Thank you so much, Manish, for taking out the time. It was an absolute pleasure.

I think the audience will benefit so much from your life, investing, and spiritual wisdom.

Manish Chokhani:

Really blessed to be here, and to have had this opportunity. Thank you.