BOOKS

S Naren to Raamdeo Agrawal to Nilesh Shah, what fund managers have been reading in 2024

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From left, Nilesh Shah, managing director, Kotak Mahindra Asset Management Company; S. Naren, executive c
Navneet Munot, MD and CEO, HDFC Mutual Fund; Raamdeo Agarwal, chairman, Motilal Osv

Synopsis

Here's a curated selection fund managers recommend – books that promise to kee
inspired all year long.

As we step into 2025 and say goodbye to a year marked by soaring markets where the small and mid-cap segment jumped almost 30%, many fund managers found themselves revisiting *Common Stocks and Uncommon Profits* — a classic investment book by Philip **Fisher** that first came out in 1958.

It is not like any other book on investing. It does not overwhelm with numbers. It rather dives deep into the art of qualitative analysis — a method that remains as relevant today as it was over six decades ago. Warren Buffett himself has called Philip Fisher a significant influence, often stating that his investment philosophy is a blend of Benjamin Graham's value investing and Fisher's focus on quality growth stocks.

One of the most impactful ideas from the book is Fisher's "15 points to look for in a common stock", a checklist that encourages investors to focus on the quality of a business rather than just its valuation.

In today's overheated market, where valuations are running high, Fisher's insights act as a compass for fund managers. His advice to focus on buying and holding great businesses with strong growth potential reminds us that investing is about patience and conviction, even when markets seem euphoric.

The year 2024 saw the release of R Raghu's *Blueprint for Billions – Mastering India's Equity Market*. He is the CEO of Marmore Mena Intelligence, a research subsidiary of Kuwait Financial Center (Markaz), a leading asset-management company based in Kuwait with an AUM (assets under management) exceeding USD3 billion. This book has received widespread acclaim from mutual fund CIOs (chief investment officers) and fund managers.

When fund managers pen down their experiences, it becomes invaluable, as they offer insights into the broader strategies as well as the intricate nuances of investing. With that in mind, ET Prime reached out to several fund managers to know their 2024 reading lists. Here's a curated selection that promises to keep readers engaged and inspired all year long.

S Naren, executive director and CIO at ICICI Prudential AMC. Naren's recommendations (and there are three!):

#1. *Beating the Street* **by Peter Lynch**

"Peter Lynch's *Beating the Street* is more than just a guidebook — it's a reaffirmation of many principles we follow at ICICI Prudential AMC. The book offers practical frameworks and insights that align with our investment strategies, particularly our focus on long-term, research-driven, and contrarian investing. One key takeaway for me is Lynch's emphasis on counter-cyclical investing — identifying sectors or stocks with long-term growth potential during periods of pessimism," Naren says.

#2. His second recommendation is *More Than You Know: Finding Financial Wisdom in Unconventional Places* **by Michael Mauboussin**

According to Naren, the book blends behavioral finance, decision-making strategies, and complexity science, offering valuable frameworks that complement ICICI Prudential MF's macro-driven, value-oriented, and contrarian philosophy.

"Mauboussin's focus on reversion to the mean — how extreme performances normalise over time — reinforces our emphasis on identifying cyclical opportunities and avoiding overvalued assets," says Naren.

#3. The third book on his list is *The Joys of Compounding* **by Gautam Baid**

"It's a book that reinforces the importance of staying committed to long-term goals, whether in fund management, team development, or investor education. Baid's advocacy for applying mental models from various disciplines — such as economics and psychology — aligns with our approach to refining strategies and decision-making," says Naren.

According to him, these books offer timeless lessons that have greatly influenced his approach to investing. From understanding the psychology of markets to refining investment strategies with multidisciplinary thinking, they provide invaluable perspectives for both novice and experienced investors.

Nilesh Shah, managing director, Kotak Mahindra Asset Management Company

#1. His top recommendation for the year is *Chip War* **by Chris Miller** to understand the fight for the most critical technology.

#2. His second recommendation is *Elon* ***Musk*** **by Walter Isaacson** to understand what drives a leader like Musk.

One of the most remarkable aspects of Musk's journey, as highlighted in Isaacson's book, is his resilience in embracing failure and using setbacks as opportunities for growth.

#3. And the third recommended book is *What I Learned About Investing from Darwin* **by Pulak Prasad.**

Navneet Munot, managing director & CEO, HDFC Mutual Fund

#1. *Stillness is the key* by **Ryan Holiday**

#2. *Capital Allocators* by **Ted Seides**

#3. *Nexus* by **Yuval Noah Harari**

#4. *Slow Productivity* by **Cal Newport**

#5. *The AI Playbook* by **Eric Siegel**

#6. *India @100* by **Krishnamurthy Subramanian**

“A wealth of information causes a poverty of attention” - Herbert Simon- As quoted in *Stillness is the Key* **by Ryan Holiday**

“How different would the world look if people spent as much time listening to their conscience as they did to chattering broadcasts? If they could respond to the calls of their convictions as quickly as we answer the dings and rings of technology in our pockets?” - Ryan Holiday, *Stillness is the Key.*

Raamdeo Agarwal, chairman, Motilal Oswal Financial Services

#1. Book of Value: The Fine Art of Investing Wisely **by Anurag Sharma**

“This book teaches that investing is not about luck but about skill, offering both the emotional and analytical tools needed to succeed.”

Rajeev Thakkar, CIO and director, PPFAS Mutual Fund

#1. The first book Thakkar recommends is On Masayoshi Son and Softbank – *The Money Trap* **by Alok Sama**. The book is largely about his time at Softbank and the interesting world of big-scale venture capital.

#2: *Aiming High: Masayoshi Son* **by Atsuo Inque**. The book is a biography of Masayoshi Son.

#3. This book is On Artificial Intelligence called *Co-Intelligence* **by Ethan Molick**.

“The book is about the current state of AI, possible future paths and how humans can adapt to the new world of AI by co-existing with the co-intelligence. It is not just about surviving but thriving with the new technology,” says Thakkar.

Sunil Rohokale, managing director & CEO, ASK Asset & Wealth Management

#1. Outlive: The Science & Art of Longevity **by Peter Attia**

“This book is a groundbreaking exploration of how to extend both lifespan and healthspan. Attia challenges traditional medical approaches to ageing, advocating for proactive and personalised strategies and tactics. His writing is engaging and makes complex scientific concepts understandable to a broad audience,” says Rohokale.

Saurabh Mukherjea, founder and CIO, Marcellus Investment Managers

#1. **Daniel Markovitz’s** *Meritocracy Trap*

"It is about how the American elite's pursuit of bookish knowledge, prestigious degrees and highly paid jobs resulted in their pursuit of status symbols which created a deep rift in American society. It is this rift which propelled Donald Trump to power," says Mukherjea.

#2. His second recommendation is Al Reis and Jack Trout's 40-year-old classic book *Positioning: The Battle for Your Mind*.

"This book pioneered a concept which is now regarded as mainstream practice, namely, how a company frames the product in the customers' mind is as important as the actual attributes of the product. So, for example, a diamond is positioned not as a block of condensed carbon but as a rare, super expensive, desirable rock which you gift to your true love."

Suresh Soni, CEO, Baroda BNP Paribas Mutual Fund

#1. His first recommendation is *Thinking, Fast and Slow* **by Daniel Kahneman**

"Kahneman explores two cognitive systems that drive human thinking. System 1 is fast, intuitive, and emotional, making quick judgments based on past experiences and mental shortcuts. System 2 is slower, more deliberate, and analytical, requiring more effort and conscious reasoning," says Soni.

#2. His second recommendation is *Trillions: How a Band of Wall Street Renegades Invented the Index Fund and Changed Finance Forever* **by Robin Wigglesworth**

According to Soni, this book is the almost revolutionary story of index investing, tracing how a small group of financial innovators challenged traditional Wall Street wisdom. The book follows pioneers like John Bogle, who created the first index mutual fund, fundamentally transforming the investment-management business. It explores the way passive funds democratize investing and reshaped financial markets while offering a more accessible, efficient and low-cost investment product.

Ajit Menon, CEO, PGIM India Mutual Fund

#1. **Peter Diamandis and Steven Kotler's book** titled *The Future is Faster than you Think*

"What resonated with me was the central message of hope and how close we are to solving the world's many problems. At the heart of this is the ability to save time because of evolving and converging technologies.," says Menon.

According to Menon, as new technologies save time, innovation will accelerate, and varied industries will face disruption. Leaders will need to challenge the status quo or face redundancy.

Trideep Bhattacharya, president & CIO-equities at Edelweiss MF

#1. *Atomic Habits* **by James Clear**.

The book emphasizes how small, consistent changes can lead to remarkable long-term results. By focusing on building good habits, breaking bad ones, and leveraging the power of compounding, the book offers practical strategies to achieve success in any area of life.

Mahendra Kumar Jajoo, CIO-fixed income, Mirae Asset Investment Managers

#1. Rich Dad, Poor Dad **by Robert T Kiyosaki**
What he has learnt from the book is this: Importance of financial literacy, disciplined and systematic investing, and how one does is not dependent on how one is born.

Deepak Ramaraju, senior fund manager, Shriram AMC

#1. He recommends *The Outsiders* **by William N. Thorndike Jr.**

"I must say, it's been quite an eye-opener. The book takes a closer look at eight unconventional CEOs who delivered exceptional results, not by following the usual playbook but by thinking and acting differently," he says.

One of the biggest takeaways for Ramaraju is the value of having an outsider's perspective — looking at your business with fresh eyes and not being afraid to question the norm. These leaders weren't interested in perks or flashiness. Instead, they focused on building lean organisations, hiring the right people, and giving them the freedom and responsibility to perform.

Left: Raamdeo Agrawal, chairman & co-founder, MOFSL; Left centre: Navin Agrawal, group MD, MOFSL; Right centre: Shalibhadra Shah, group CFO, MOFSL; Right: Motilal Oswal, CEO and co-founder, MOFSL; image credit: Company.

Synopsis

For a decade, Motilal Oswal Financial Services, through its treasury operations, has been investing in equity markets and yielded high returns. Should this strategy sustain in the future as the firm expands?

BY

Alekh Angre
Pravin Palande

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Raamdeo Agrawal likes to wear pink. It doesn't denote the colour of money, or the colour of risk. It rather gives him the calm demeanour of a patient investor who buys a stock and wait for extremely long periods of time for returns.

On the other hand, **Motilal Oswal** prefers to wear white. It is the colour of peace, or even power. By wearing predetermined colours to office on most days, the two founders of Motilal Oswal Financial Services (**MOFSL**) save time every morning by not thinking about it. This approach also reflects in their work – in terms of saving time by creating a system so that they can focus on their business of investing.

"This approach of focusing only on the stock markets has finally given us the returns. Today, tl consolidated return on equity (RoE) for our company is at 35% for FY24 and if we go by the fir half of this year (FY2025), it is at 46%", says Motil Oswal, managing director and CEO, MOFSL.

The stock price of Motilal Oswal Financial Services is up over 200% in a year and the company enjoys market capitalization of over INR57,000 crore. For the half year ended September 30, 2024, the company reported a total income of INR5,150 crore, up 64% year-on-year (Y-o-Y). Consolidated net profit for the same period rose 84% Y-o-Y at INR2,263 crore. It has achieved around 73% of FY24 total revenues in the second quarter itself.

Clearly, FY25 is expected to be a bumper year for Motilal Oswal. This is also the year that the stock is getting rerated for the management's ability to generate high RoE.

We met MOFSL co-founders Motilal Oswal and Raamdeo Agrawal, group managing director **Navin Agarwal**, and group CFO Shalibhadra Shah at the Motilal Oswal Towers in Mumbai's Lower Parel, as they explain their strategy of driving high RoE for the company.

They believe that the next 10 years are going to be a game changer for the company, which has two RoE drivers.

One is the main business of broking, wealth and asset management, and investing. The other is treasury. While the return on the main business (return on net worth has always been strong, whe the stock market is high, it is the return on the treasury business that drives the business. "The recent bull run has allowed the treasury to generate a return of 21%, the highest in the last four years," says Shah.

The current rerating is something that the company has been waiting for a long time. The company has been into various activities like private equity, mutual funds and other alternatives which have all given good returns, especially over the last three years when the stock market has given high returns.

For over a decade, MOFSL has been investing its free operating cash flows directly in the equity markets through its mutual funds. Similarly, it has invested in its private equity funds or alternatives. The idea is to put the skin in the game where the company invests and in all the products that it sells to its investors. This way it is more aligned with its investors and takes similar risks that its investors are taking.

Most broking firms take a traditional approach of investing money – either in fixed deposits or other fixed-income-generating products. The result of this exercise is that MOFSL has seen a massive growth in its net worth over the last decade. The net worth has grown at a CAGR of 24% to over INR11,000 crore between FY14 and the first half of FY25.

It's all about equities

In 2007, MOFSL's net worth expanded to INR333 crore following its listing on stock exchanges. As the company added accumulated profits, the net worth jumped to INR1,170 crore in 2014. This was also the year when the company restarted deploying free cash flows into treasury investments.

The strategy involves using the free cash flows from operating businesses to plough back into treasury. This treasury book is 100% invested in equity and equity products – all the time. Between FY14 and FY24, while the operating profits compounded at 34%, the treasury investments delivered an 18% internal rate of return. Because the reported profit after tax (PAT) tends to be volatile due to marked-to-market gains or losses on treasury investments, the management believes net worth is a better metric to gauge performance. In the same period, net worth has grown at a CAGR of 22% with average RoE of 22%

Since the start of the business in 1987, the company's philosophy has been to first deploy profits into business based on its requirements and invest the remaining amount in equities.

But around 2003, the company stopped reinvesting free cash flows in equities for two reasons.

First, the businesses were growing and were in need of capital. New businesses were also launched. Second, the management was advised against following such strategy, especially around the time of listing because shareholders may not appreciate such practice.

“For around 12 years, we didn't buy anything. The company missed the opportunity of cashing in the 2003 to 2008 market boom,” says Raamdeo. “Then in 2014, we decided to invest in our mutual funds,” he adds.

For the longest time, Agrawal spent time finding multi-baggers and has made some serious money in stocks like **Hero Honda**. In 1995, Agrawal invested INR10 lakh in Hero Honda (now Hero Motors) at INR30 each. He held on to the shares for 20 years until the price touched INR2,600. When he sold the stock in 2015, it was giving him dividends to the tune of INR4 crore every year. He made similar multi bagger returns in Bosch, Bharti Airtel, Gruh Finance, and Infosys.

Agrawal is a huge fan of Warren Buffett and in the earlier part of his investment career, he had followed the cigar butt style of investing popularised by Buffett – buy beaten-down stocks at low prices and sell them when the stock prices go up. But as the markets evolved, Buffett realised that these low bargains were not happening and even if they were, finding them was becoming a difficult task. Later, Buffett moved on to investing in solid-quality stocks that have massive growth potentials in the future.

Agrawal, on the other hand, has remained a die-hard investor. But is not hesitant to pay a price if he sees growth potential is a stock. He is bullish stocks like Zomato even when the company’s pat to profitability is not clear. He believes that the b picture for some of the New Age companies is ver clear, especially when they are targeting consumerism or the consumer who will pay. He sees a big growth potential in Indian income leve where more and more people will become consumers and move up the value chain. But at the same time, he doesn't want to have a different philosophy from his mutual funds. He has both active as well as passive funds and he is hands-on with the fund managers in his mutual funds.

"We are big believers in equities. But ever since we have launched our funds, we have put our money from equities int our funds," says group MD, Navin Agarwal

According to him, since 2014, when the company restarted to deploy free cash flows in treasury investment, the pace of net worth expansion has been substantial because of ploughing of profits and MTM (mark-to-market) gains.

Its treasury investment stood at INR8,113 crore. Between FY14 and FY24, the treasury investment book has compounded at around 44% annually because of the IRR (internal rate of return) as well as the redeployment of cash after paying for dividends and three buybacks.

Drawing parallels with Berkshire Hathaway, Navin Agarwal explained that the treasury investments are similar to Warren Buffet-promoted companies. "They own hundreds of operating businesses 100%. Whatever free cash flow they make from those businesses is going back into equities. And that's how they've become a trillion-dollar marke cap company. Motilal Oswal's model is the same. We have seven operating businesses, which are t cash cows," he explains.

There is another advantage of these treasury investments in equities.

MOFSL is among the top three brokers in India. To do that volume of business, brokers need to give margins to the exchanges, which can be either in the form of fixed deposit or mutual funds. Now, fixed deposits fetch less than mutual funds and it is not even liquid.

“The mutual funds that have serve as collateral, which is the same as I could have deployed fixed deposits also. So, when people say that this is free cash available to be distributed to minority shareholders, the answer is no. Suppose if I distribute, how will I have my market share in broking and where will I get margins from?” he says.

Navin Agarwal points out that this is the reason why MOSL never had to raise capital from institutional investors or dilute stakes in its subsidiaries even as some of its peers had to do so for expansion of business.

Why was the market late to appreciate?
The entire business is linked to the capital market. First, the business itself and second, the cash generated from these businesses are also exposed to capital markets.

“Not all investors have the appetite to take such risky bets. Over the years, the company has also taken efforts to explain this to the investors. And I think investors are slowly appreciating the fact that these guys are all about equity and if they are willing to put their neck on the line, then it is worth looking at the company from investment point of view,” says a fund manager with a Mumbai-based fund house.

Another fund manager says that while the fluctuations in earnings because of MTM remains a risk, the capital-market activity itself has a theme to play on changing investment patterns of households.

ICICI Securities, which has ‘hold’ rating on MOFSL, says that current valuations fully captur the current valuation bakes in broking to wealth management transition and possible risks from MTM decline in AUM (assets under managemen and market linkage to all the key business segments.

“MOFSL has been transitioning from its broking and distribution business towards wealth management. It aims to enhance client relationships, strengthen connections as a trusted advisor and offer comprehensive financial solutions beyond broking. In our view, this transition shall entail a strategic evolution, beyond just its nomenclature. We reflect this through higher multiples in wealth and asset management (there has also been improvement in performance and absolute AUM levels)," the brokerage says.

The growth opportunities here are immense and Motilal Oswal with its vast presence across a spectrum of investors – retail investors to wealthy clients to ultra rich – is expected to be the key beneficiary. "Treasury is one part, but the underlying business has immense potential. If Street feels the treasury investment strategy is too risky, it may ascribe lower valuations to that piece, especially in the case of a falling market."

The management of MOFSL feels that they understand the equity markets and it simply makes sense that their free cash flows are invested in what they understand. But here is a basic question. If a software company invests in the Nifty IT index because it says that it understands the IT business, will the company get re-rated? The answer is no. If the IT company goes for acquisitions with its free cash flows, it makes sense because then it is sticking to its area of expertise. If it is investing its free cash flows in an IT index fund, then the company is getting into an activity of stock-market investing and that is clearly not the focus of the company. MOSL is saying that its main activity is investing and that is what it is doing with its free cash flows.

The flip side is that it makes MOFSL a high-beta stock, compared to its peers and during low market periods, the stock might not give strong returns.

But chances are that looking at the success of MOFSL, the other broking firms might take a similar approach to their treasury. Right now, they are simply watching how the market will react to the stock when it is on a downtrend.

The final cut

As far as the management is concerned, this is a style in their DNA, and they will continue to do that. There will be times when the markets will ignore the stock, but the fact is that the company is looking at this exercise on an extreme long-term basis where the markets will only be up. Based on this idea, MOFSL is now on an expansion spree in tier-II towns.

Today, the Motilal Oswal Tower building in Lower Parel is already a landmark and that is what the company wants to repeat in different cities in the country. The company is also setting up a Motilal Oswal University near Panvel to train its growing staff.

"With the markets becoming dynamic with many changes in technology, we now see the need to create an institution for training. Most importantly, we now have more than 10,000 people and it is time we change our approach to training and make it systematic", says Motilal Oswal.

He has built one of the largest broking firms from scratch by building strong systems and dressing in pink and white is just one of them.

(*Graphics by Mohommad Arshad*)