

## Flexibility first

With its focus on Asia and the Middle East and a roster of big-name owner shareholders, Samena Capital is a GP with a difference. Shirish Saraf, the firm's founder and vice chairman, explains the strategy

**Q: Samena has made its debut investment in Myanmar. Is the firm's geographical remit expanding?**

**A:** We are increasingly interested in other South Asian economies. We did the deal in Myanmar, we have [online grocery delivery platform] Happy Fresh in Indonesia, and we are looking at Sri Lanka. We continue to look at new markets but slowly, without taking excessive risk. We are putting our toe into the water and establishing partnerships. I think we have exhibited our capabilities in our core markets of China, India and the Middle East. We have already returned our first fund – a 2008 vintage fund that closed in 2009 and achieved a gross IRR of 10.1% – and we've already returned 20% of the capital from our second fund on the back of three exits. We have returned more than \$600 million in total. We launched our third fund, targeting \$700 million and had an initial closing of \$350 million within three weeks. There was strong interest from our shareholder network, with most of them doubling the commitments they made to the previous fund.

**Q: What are the typical needs of the companies you back?**

**A:** A lot of the companies we invest in are regional and we do bolt-on acquisitions and pursue cross-border consolidation. The companies tend to exhibit similar characteristics. They are closely held, stable and have good management teams. They are also illiquid. Even the companies we have in the public space aren't ones where you can just go out, buy the stock

and ride the stock. We tend not to leverage; we think financial engineering is an abstract term that has little meaning. We focus



**“Entrepreneurs are interested in us because we have a great network”**

on operational enhancement.

**Q: What is the biggest operational challenge you have faced?**

**A:** The buy and build strategy we've done with RAK Logistics. It's logistics, which is always difficult, and it's a fragmented market with a lot of mom-and-pop shops. When creating a value chain in freight forwarding you are also reliant on someone who is a visionary in the logistics space. We backed someone and didn't get it right and clearly it has been a challenge for us.

**Q: To what extent do you try and construct a portfolio that delivers some swift returns?**

**A:** We take a five- to seven-year view on all our investments and

sometimes there might be a return on capital quite quickly. Tejas Networks is a private deal and 18 months into the investment we are sitting on 2.7x our money. Dynamic Technologies we've been holding for much longer and it's a public company. It's nice to have a balance and a bit of thinking goes into that. For example, with Crompton Greaves – where the company was split into two entities, and we got our money back on selling the consumer business and then held the power business for free – it was in the back of my head that the return would be quick because it was more of a special situations-type deal. However, most of our investments are works in progress and they come with a certain amount of time and risk, and they don't always pan out as expected.

**Q: How does the Samena shareholder network make a difference?**

**A:** We have meetings of all our shareholders twice a year and the entrepreneurs get to meet them. Beyond that, there is a lot of interaction with portfolio companies. The entrepreneurs become friends with the shareholders and that enables them to build an ecosystem to support their growth. Entrepreneurs are interested in us because we have a great network, they can engage with and learn from other businesspeople. If they are entering uncertain territory or bidding on a contract, it can be helpful to call someone up and get an opinion. At the same time, while our shareholders are available, and they also put in

money, it's not the essence of everything we do.

**Q: You previously expressed an interest in acquiring merchant bank Kleinwort Benson. What does this say about your broader plans for Samena?**

**A:** This wasn't for the fund, it was at the management company level. I believe there's a massive place in Asia for merchant banking but right now it's a vacuum – the Peregrines and the Jardine Flemings of the world don't exist anymore. The merchant banks that came out of Europe were a function of the industrial revolution and the fact that 8-10 of the most prominent families were in London and Cologne. With Kleinwort Benson there was an opportunity to bring together traditional Europe and new Asia. If you look at Blackstone, it started out as an investment advisory group and then went into private equity. We've done the private equity bit first and over time we want to develop our advisory capabilities. We would have used Kleinwort Benson to do that and we are still interested in the space.

**Q: How do you address questions about political risk, given the geographies you target?**

**A:** You keep your head down and try to understand where the world is going. It's not by coincidence that for the last nine years we haven't made a single investment in Saudi Arabia, Turkey or Egypt. We understand the political realities and took the view that these markets should be treated with caution. Ultimately, investment is an art, not a science, and you must trust the judgment of the team. ▀