

Back to basics: making money work

Shirish Saraf has a knack for making a success of business. The self-proclaimed 'valuepreneur', is the former co-founder of Abraaj Capital. In 2008, at the height of the global financial crisis, he set up Samena Capital - an investment group focused on the Subcontinent, Asia and the Middle East

client base to cover a greater depth of institutional investors.

The fund follows a similar strategy to its predecessor, investing through a close-ended private equity fund structure that allows it to build strong minority stakes in listed companies that are stable mature businesses with high caliber management.

Shirish Saraf, Vice Chairman and CEO, is confident that the size of opportunity in the SAMENA markets will pay off, even in times of crisis. He told *BME* that the scarcity of capital has so far favored the company's investment strategy.



Three years on, Samena is uniquely capitalized with equity of \$100 million and it manages total capital commitments in excess of \$700 million.

Samena means 'together' in old Buddhist script. Not surprising then, the founding shareholders comprise of some of the most influential businessmen, entrepreneurs, corporate leaders and asset managers from the SAMENA region (Subcontinent, Middle East and Asia); the old Silk Route along which ideas and wealth were traded in previous generations.

SUCCESS AFTER SUCCESS

Following the success of its flagship Samena Special Situations Fund 1 in 2008, the company launched its second Special Situation Fund.

SSSF II has a targeted corpus of \$700 million and the company anticipates a final closing by the end of 2012 as it diversifies the funds

You hit your target on your second fund as the enormity of the financial crisis was unfolding. How did you do it?

We opened the fund in May and we were in an enviable position because by the 30 June we had announced. Normally in our business it takes one year for initial closing. Don't forget, this is not short term money, this is nine-year money (until 2021), so in that sense we were blessed. Ours is more than just a fund management company, ours is a principle investment group of a collaboration of entrepreneurs and leading businessmen from Asia, the Middle East and India.

Why should investors consider your fund?

It is very simple. First, you have the actual involvement of principles of business, like leading entrepreneurs

that have never come together before; in India, Asia, Middle East, so prospective clients can instantly see a different value proposition. Second, we put our money first and then take other people's money, so our first \$600 million is our money - that is a very strong statement. Third, our track record speaks for itself.

In 2008 when we set up the company we gave a dividend, and then we had a three year track record of dividend and profit. We in turn are very transparent in every single thing that we do. Our accounts are released as if we are a corporate, no one in our business does that, and we even reveal the names of each person who is the fund or in the company.

What investment strategy has paid off in the current climate?

We don't deploy financial leverage. You only play with the amount you have; in uncertain times you don't have clear visibility in businesses or markets so you never should be on leverage. If you don't have certainty of cash flows in a company you have no business to leverage. This is where only real businesses that operate in that manner can make it otherwise the environment is going to be against you. It is time to get back to basics for the next 10-15 years.

So you think we are in a period of economic uncertainty for at least another decade?

Yes, I think we are in the most uncertain time of our lives. Let's retrace, the Great Depression was just an economic

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problem, what the world faces now is a lot more than just an economic problem, there are many social, political and economic obstacles; is it the bipolarization of the world, is it of civilization, is it of religions, etc.

Today, people have lost confidence in the superpowers and their ability. As an average individual you are not even sure if your bank will be around tomorrow, it is a very different time to the Great Depression.

Do you think the west is losing its superpower status and emerging economies are becoming more powerful?

I still think 'the superpower' remains the US. I still think the store of value in the reserve currency will remain the US dollar. I still think that they are miles ahead in terms of institutional frameworks. I think the emerging economies will remain emerging economies.



Samena Capital shareholders: A solid partnership

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What value do you see in the market that hasn't yet been tapped into by your competitors?

Basically the value that you are going to see is that in any inflection point you are going to have a tremendous amount of value creation opportunities, it is what you call creative destruction. So when you asked me if there are going to be any opportunities in the Arab world, they come with a lot of pain first, and then there will be a lot of gain.

shareholders that meets probably the most of any shareholder grouping in the world, that constitutes some of the best-known principles from India, from Asia from Middle East, so the opportunities to be preferred partners of choice to a business as opposed to just a fund management company that sits on its board is significant.

Let me put it quantifiably and tangibly, a company today that has

better local knowledge, you are getting more credibility in the market you are operating in and over that time you then set a foundation for being a catalyst for economic integration.

We are a very different working group that goes beyond working and giving government advice, budgetary discipline advice, or sitting on their boards to getting back to basics where we can over time become a better value proposition for all the investors because we are giving them more than just a few fund managers.

Are you seeing a changing of mindset among your investors towards preserving wealth rather than growing it?

I think it is all about preservation of capital in these times. You can't go into such aggressive growth strategies unless you are a distressed fund, we are not. We buy stable, mature businesses. We buy strong minority interests in listed companies, we don't do venture capital, we don't do distress, we don't do turnaround. We often buy companies with little debt and very stable mature businesses.

Every world order has its opportunity, and every world order will have its own sets of champions. Now, are you going to have to tread cautiously in this world order? Yes you should. It is all out preservation of capital, because there are too many vagaries and it is too volatile an environment. There is only one thing you can say with certainty in these uncertain times; whatever made you successful in the past, will not in the future.

The actual opportunity in the space that we are operating in, I believe, that a lot of whales of today will become the minnows of tomorrow and the minnows of today will become the whales of tomorrow and that is where we are. ■BME



Samena invests in stable mature businesses with high caliber management

When you have any changing world order, you will have tremendous value opportunities; now are they going to be industry specific? Some people get into industry specific themes, some might say defence and homeland security could be the next big thing, some might tell you healthcare, some might tell you it is all about education. I try to avoid that, I am not sector specific, I am sector agnostic. We are purely opportunistic in our investment strategy.

What sets you apart from the competition?

We have a foundation of a very well functioning group of

been traditionally selling in technology, selling mainly to the US or Europe, suddenly he faces recession, suddenly some of his customers have become bankrupt, now he needs to reinvent his markets, he needs to look towards different markets, he suddenly sees the opportunities in the Middle East as they announce the \$175 billion of spending in Saudi Arabia, as they announce \$130 billion of spending in Qatar. Now he needs to find entry points in those markets. He needs to get a real partner.

A group like ours offers a real partnership; we put our money alongside theirs, we are real businessmen where you are getting