

# Akash Prakash

Founder and chief executive officer, Amansa Capital

BY Sameera Anand

### What are your assets under management and who did you raise this from?

We currently manage more than \$300 million, up from \$50 million when we started in 2006. Farallon Capital is one of our anchor investors with a \$25 million investment. Our investors are family offices, university endowments and foundations.

### What are your investment terms?

We have a minimum investment size of \$5 million. We raise money on a three-year lock up, after which it rolls over into a one-year lock up. We do not provide quarterly redemptions. This is part of a conscious strategy to be able to make long-term investments. We recently introduced a one-year lock up class as well.

### What is your investment strategy?

We are a long-biased investor, not a long-short fund. We seek absolute return so are comfortable sitting on cash. Our portfolio is concentrated across around 25 investee companies with a typical investment size in the range of \$8 million to \$12 million. We invest in companies we intend to hold for three years so have low portfolio turnover.

### What kind of companies do you seek out?

All our investee companies are based in India and this focus will remain. We term ourselves market capitalisation agnostic. However, our focus is medium-sized companies, defined as between \$150million and \$1 billion market capitalisation. Earlier this year, when we thought the valuations

### TOP THEMES

- 1 Medium-sized Indian companies will yield returns over the long term
- 2 A focus on financial parameters is key to performance
- 3 Thorough due diligence can help to flag warning signs

of large-cap companies were attractive, we invested in them.

### You raised money when Indian stock markets were very heated. How did this impact your portfolio?

We raised little new money after September 2007 as this was a challenging time to identify stocks. But we focus on parameters such as return on equity, return on invested capital and free cash flow. We found that over-valuation was rampant in sectors like real estate and infrastructure, as fundamentals had become secondary to growth. So, our target universe still yielded us good investment opportunities.

We were affected by the global meltdown post-Lehman. We became fully invested in India just before the impact of the Lehman bankruptcy caused panic in Indian markets. The indiscriminate selling by some hedge funds who were facing redemption pressure had an impact on our performance as well.

### What makes you confident that India will yield returns?

Looking back at the recent past, even in the worst six months the world has seen in

recent history, India achieved economic growth of 6%. And a very small-sized fiscal stimulus, compared to say China's, leads us to believe the economy has been stress-tested and will continue to grow.

Further, the current government that was elected into power in May is action-oriented and pragmatic. A number of investors are still seeking to further diversify their dollar assets and there are not that many economies that can absorb large chunks of capital and that are domestic consumption oriented.

### The Satyam issue early this year increased worries among investors about due diligence issues in Indian companies. What is your view?

Due diligence issues have always existed in India but equally, what happened in India could have happened anywhere in the world. We focus on detailed due diligence for companies we invest in. We check the quality of the management among people like ex-employees who have had a bird's eye view and competitors, who can provide insight into the cost structure. We also meet our investee companies multiple times before we make an investment.

### Do you work with the sell-side on idea origination?

We are open to that but hitherto 95% of our ideas have been proprietary. The majority of the companies we've invested in are not covered by the sell-side as they are too small to be on their radar. We start with building financial models and forecasting cash flows.

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ILLUSTRATION BY SARA SENE

**How have the recent developments in Dubai affected you?**

Directly, we do not foresee an impact as this is not dramatic for India despite the inward remittances from migrant labour. But this is a wake-up call for all of us that the problems of the crisis have not been resolved and further bad news is likely to come out before the tide turns.

**What is your growth strategy?**

We will grow our assets under management to a maximum of \$500 million – that's a manageable size at which we can continue to function the way we do right now. Currently, all of us are involved in investing. A larger fund will mean some of us will have to become managers rather than investors, which is not something we want.

**What is your background and who else is part of your investment team?**

Our team has more than 60 years of experience covering India. I used to be a director of investments for India for Temasek Holdings. I also worked as a portfolio manager for the Government of Singapore Investment Corporation and at Morgan Stanley. Ambrish Sukhani has been working with me in Singapore as an investment analyst since early 2008. He was also earlier with Temasek in Mumbai.

In Mumbai we work with Narender Nagpal and Ramchandra Hegde at Primus Investment Advisers. Narender was previously head of equities at Deutsche Bank in India. He has 15 years of experience across firms in India mainly in equity research. Ram used to be part of the research team at Deutsche Bank in India covering mid-caps and has also worked at DSP Merrill Lynch and Enam Securities. n