

# **“We are very focussed on people’**



**The National Development Bank of Sri Lanka (NDB) and the British based Commonwealth Development Corporation (CDC) teamed up at the beginning of June this year to form a new fund management company called Ayojana Fund Management (Pvt) Ltd. The General Manager of Ayojana, Mr Steven Enderby has over 10 years experience in investment and banking in the UK Southern and Eastern Africa as well as South Asia. Sharmini Serasinghe interviewed Steven Enderby recently for Business Today. Excerpts from the interview.**

**Q: The objective of Ayojana is to generate superior returns for investors, in the funds it manages. Considering we already have several established financial institutions with the same objective, what makes your company any different?**

**A:** From my perspective, where we are different is in the nature of the investments we are focussing on. What we are really looking at today, is to pick up managers, businessmen who have identified particular areas of interest, who have demonstrated capabilities to get on and achieve and to back. those guys. So,

we are very focussed on people, on doing business with people and I feel that orientation, not picking sectors of the economy, not focussing on certain stages of financing but focussing on individuals, focussing on management, focussing on shareholders, finding the right people to do business with, is our focus. I think that's one of the things that distinguishes us. It is also important to recognise in the current market, that there are very few sources of equity finance available within Sri Lanka. We are one of the few sources of equity finance. We are distinguished by the fact that we are prepared to invest where perhaps others are sitting on their cash. We are actively looking for investment opportunities.

**Q: How would you estimate. your total capital base?**

**A:** In terms of the funds we have to invest, we have 930 million rupees to invest.

**Q: Does that include the and CDC funds as well?**

**A:** That's correct. That's the total funding that CDC and NDB have put into this business.

**Q: Since your company was launched three months ago, how would you assess its progress?**

**A:** Well, its been an interesting period in that, I think often when you are a new financial institution in town, you attract a lot of inter est. So, we have succeeded in attracting a lot of interest. For example, I think we have looked at more than 60 investment proposals so far in some degree of detail Out of those, we have selected that we are very keen to invest in We are currently looking at an other 10 to 20 of that 60, still deciding whether they are right for us or not. But we have succeeded in attracting a lot of interest.

**Q: Millenium Information Technologies recently exchanged contracts with Ayojana for its equity investment in Millenium. What was so important about this transaction?**

**A:** Yes. Millenium is the first transaction we closed. I'm actually very pleased with that transaction, for I feel, it illustrates something good about Sri Lanka at the moment. There are some very good companies out there and it's all about looking hard and finding the right guys to do business with. There are a lot of characteristics about Millenium that I like. Number one, they already have had

some limited degree of success through the Colombo Stock Exchange. They have demonstrated their capabilities both domestically and internationally, which I feel is a very positive statement about their abilities. The second thing I like about them is that they are dynamic people. They want to get on and get things done and I think that actually distinguishes them. Dare I say, that there are a lot of companies in Sri Lanka who aren't as forthright and as dynamic as I would like and I think Millenium is a good example of what can be achieved if you are willing to have an appetite for business. The third thing I really like about them is the level of management and employee shareownership. A significant proportion of the company is actually owned by the guys who are working there. That's a very strong concept that I personally believe in. I think as long as your managers and employees are remunerated and rewarded in the same way your shareholders are, I think it gets around so many of the manager-shareholder conflicts. I'm very pleased to see a company that is backed where its managers have put their money where their mouths are, so to speak.

**Q: There is a lot of pessimism regarding the current economic situation in Sri Lanka. What is your long term view of our economy?**

**A:** If you look at the last 20 years of Sri Lanka, it's like a rubber ball. One moment it's up there and the next moment it's down there. Hopefully, we are somewhere at the bottom at the moment and we are going to come good. I believe in the fundamentals of the Sri Lankan economy. I wouldn't have come down here to do the job that I'm doing if I didn't think that we could actually make a very good return on the funds that we manage. On my CV I don't want to fail this fund and I wouldn't have come down here, if I didn't think it would be possible to earn a significant capital appreciation on our fund. So in the long term, I think there are lots of positives and I'm very keen to follow that through.

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**Q: Ayojana intends to specialise in managing investment funds targeted at companies not listed at the Colombo Stock Exchange. What is the objective of this?**

**A:** We have to ask ourselves the question how do we earn superior returns? I feel that the way you do that is by picking up companies before they get onto the Stock Exchange. Well, in theory anyway. But I think the practice is probably slightly different in Sri Lanka at the moment. Once a company is on the Exchange, its price should reasonably and fairly reflect the value of that company in terms of its earnings and growth potential. When you are investing at an earlier stage, you are going into a situation where you are taking more risk and before taking that risk you get in at a much lower price. So, the price at the earlier stage reflects more risk and more reward. Once you are looking at a listed company, the price should probably be higher and there should be less risk attached to it. So we want to earn a greater return through earlier involvement in the business.

**Q: Is Ayojana focussing only on ventures or will you be involved with the long term development of the capital market as well?**

**A:** Our primary role is generating a return for our investors. I think in doing that there are several things we are actually interested in and like every company we need an environment in which to operate and if that environment is not equitable or if there is no particular even playing field in that environment, then we quite clearly have a problem. The situation at the moment, with these various taxed situations within the whole equity investment area, is not particularly equitable in my point of view. So obviously, we are keen to play a role in how we feel that progress could be made, through various changes to the tax regime or various improvements in the regulatory systems of the capital markets. So part and parcel of our role has to be saying whether this could be better or that could be better and I'll be very keen to help there. Beyond that, for example due to CDC's international network we've got a lot of experience. Certain capital market features were structured in a lot of different countries around the world and we've got a wide network of contacts which can certainly add value on that side.

**Q: What are the investment opportunities you are looking at?**

**A:** From a sector perspective, as I said earlier, I place the onus on finding the right people to do business with, who have identified good market opportunities and the sort of people who can accept Ayojana and the sort of role that we play in companies. We are not passive investors, we are very active investors. Also, we are looking for people with some degree of track record or people who have proved their capabilities to some extent. I'm impressed with people who have

thought through their markets and have identified how they are going to win and succeed in the market in which they operate.

**Q: Is there a possibility of small and medium scale businesses benefiting through your services?**

**A:** One of the big issues is how you define small and how you define medium. We have a minimum requirement of 10 million rupees. So if that's involved in taking up to a 34% stake in the company, we are looking at businesses that have a total capital requirement of a minimum of 25 million rupees. So if that counts for small or medium then the answer to your question is yes, if it doesn't, the answer to your question is no.

**Q: Finally, will Ayojana eventually extend its services to the South Asian region as well or are you concentrating only on Sri Lanka?**

**A:** We are very focussed on Sri Lanka. Our funds, that we have brought together, is a Sri Lankan country fund and we are part of a network, from CDC Commonwealth Corporations perspective, an integral part of their venture fund and investment network through out the world. CDC has an existing venture fund in Bangalore in South India. It's doing a very similar job to what we are doing here so we are part of a network. No I don't think we will extend. But I think we will extend and develop our services within Sri Lanka and I'm quite excited to see just how that will unfold. I think it's just the sort of capital market where you

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have to be innovative and you've got to think through carefully where the opportunities are going to arise. I think considering the sort of economic situation we are in at the moment, you can make two responses. You could say, “Ah well, this is hopeless. I'm going to sit back and do nothing”, or you can take the view, which is very much my view, that there are actually opportunities out there. These companies such as Millenium are really at quite an exciting stage of their development. And what we have to do, is sit back and really hunt and look very carefully for those companies that want something concrete almost independent of the economy, and secondly, that can grow and develop in the export markets as well. There are also other companies and opportunities that arise inspite of the

difficulties of the economy, which is quite interesting. There are always certain companies, certain sectors that set off characteristically with the economy. So when the economy takes a dive, you know things very much they improve. It's about thinking very carefully where you invest. I think there are good investment opportunities out there and we are very keen to pursue them.



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