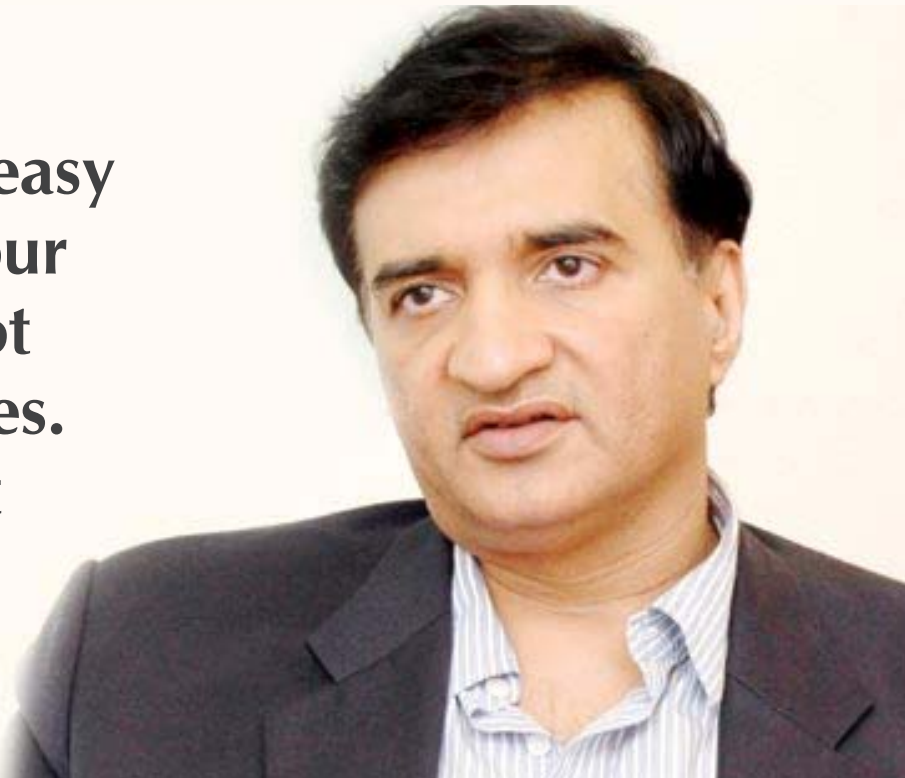




“It is always easy to talk about your winnings but not about your losses. You have to cut your losses in the best way you can.”



He has been in the financial industry for over 25 years and having started off with investment research moved on to business development, facilitating joint ventures, managing partnerships, establishing businesses, and so on. Involved in both macro and micro research, in this exclusive interview, Sanjay Sachdev, President and CEO, Tata Asset Management Company focuses not only on his company's approach to investing but also on how discipline and integrity are the key parameters to the success of any investor.

How do you summarize your investment philosophy?

Discipline is the most important factor. As investment managers we are defensive and our philosophy is to find growth at the right price. There is always a certain value you pay for a stock and that value may or not be relevant to the growth of the company because it will be different at different points of growth and it will be available at different prices. We have to follow a mandate given by those who invest their money through us and that is what makes for the overall philosophy.

Is your personal investment philosophy different from that of the fund house?

My personal philosophy is also the

same as the company's philosophy which is to look at growth at the right price. What matters is the basics that make for this philosophy, as for example the quality of the company and its management, its past performance records, the dividends that it pays out to its investors, the expansion policy, etc. You have to look at these basic parameters and then evaluate a company.

How do you select stocks?

We have formed a universe of 500 companies and we select from them. There are certain qualification yardsticks that a company has to fulfill to be able to belong to this list of 500 companies, including its capital base, volumes, quality, etc.

Do you follow any pre-set rules

for investing public money?

We have this huge responsibility of investing the public's money in the right way and therefore it is all about maximising the gains. We have to stick to the mandate given to us by the investors. The main point therefore is to maintain a very high level of discipline which revolves around our conviction and confidence about a company that we invest in. All this is in turn based on our meetings with the company's management, understanding the dynamics of a company and undertaking in-depth research which, put together, drives us to select a particular stock.

What has been your first big investing idea that clicked very well?

There have been many such ideas

but I would like to cite the one that was based on the re-rating of Tata Motors after its passenger car segment took off. This was at a time when people were not expecting the company to do too well. On similar lines was my choice of Mahindra & Mahindra which was based on my confidence in the company's management and its ability to deliver what was promised.

What are the crucial signs for entry or exit in a stock?

It is never structured around the growth of a particular sector but is directly related to the performance of a company. For example, there are some good companies in the IT sector but there are many which are nothing but mediocre. What makes some of the companies good is that they are driven by professional management which entails the discipline and the clear focus of the management. These are the entry points. As for exit, there may be several triggers and they are different for different people. To be able to make the right exit you have to be constantly diligent and on the move.

Can you share with us your research methodology?

We are very stringent and operate with a very sound philosophy. For instance, we have a strong team of analysts who are given specific sectors to monitor and this has made them the masters of those particular sectors. We regularly also have a healthy debate among our team members and the fund managers interact on a weekly basis. The fund managers review all the recommendations.

So will you always restrict yourself to only 500 companies?

Largely speaking, it is only the first 200-250 companies that are worth investing in even if there may be 5000 listed companies. But this is not to say that there is any stagnancy about our decision to restrict ourselves to 500 companies. We are flexible.

How important is to meet the company management?

It is a very critical responsibility of a fund house to do so and our fund managers are in constant touch with the companies to understand their

liquidity parameters. There is also a lot of secondary research involved.

How much importance do you give to technical analysis?

It is a relatively new thought process and can work as a rare view monitor to understand where the things are going but it cannot be a sole decision-making tool.

If the team goes wrong with a particular decision, how do you handle it?

If you don't fall, you cannot rise. We always have to learn from our mistakes. As an organisation we are very diligent when it comes to governance.

Should this be a lesson for retail investors?

Yes, because the market segregates people and companies on the basis of how they operate. A lot depends on your

year horizon, do it directly but opt for a mutual fund if you have a time horizon of three to five years.

How should an investor handle a losing phase?

It is always easy to talk about your winnings but not about your losses. However, you have to cut your losses in the best way you can. Therefore, if a mutual fund is not going anywhere, you must move on.

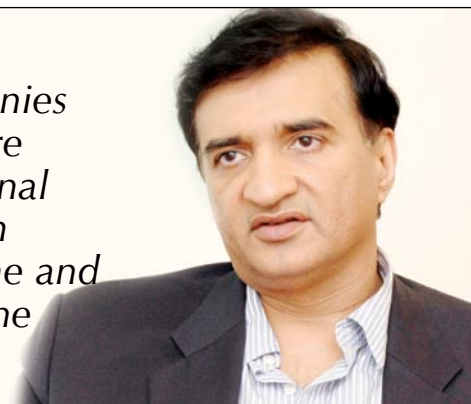
Is it possible to visualise the onset of a bear market?

I would say that we are in a long term bull market but there are phases of the bear market that come and go.

Any advice for the retail investors?

Time and market are more important than timing the market. Plan ahead to get the right returns. It is a great time to

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integrity factor, your honesty and how you demonstrate your responsibility to the investors.

How important is the selection of any sector?

Sector research is very critical because those who invest have certain mandates about which sectors they want to invest in or stay out of. But at the end of the day it all boils down to individual companies. However, when it comes to thematic funds, a sector assumes a lot of importance.

Does investing for long term work in real life?

It is all very relative. What you may think of long term may not be so for me. I would say that if you have a one

invest if you have a three year horizon. There are of course problems that affect the market but these eventually get sorted out.

How can investors repose confidence in the mutual fund industry?

Investors must always opt for those mutual fund managers that have a record of high integrity. They must check if a fund house has had a clean record and has not misled the investors in the past or has not been prosecuted by the SEBI. A good fund house will always offer solutions and manage funds in the right manner.

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