

Saraogi, Rahul – Investing in India

Wiley, 2014 [*Equity Investing*] Grade ★★★★★

India is a country of interest to investors as it offers many of the characteristics that made the West such a fertile place for business and investing during the 20th century: young demographics, a rapid rate of urbanization and improving education. The best investors have often prospered from using a bottom-up approach, investing in stable countries with a clear rule of law, a strong financial infrastructure and with capitalism and not socialism as the ruling principle. The question is if the opportunities in India outweigh the risks for investors. Judging by the title of this book from Rahul Saraogi, *Investing in India: A Value Investor's Guide to the Biggest Untapped Opportunity in the World*, the answer is a clear yes!

Saraogi is a value investor who was born in India and moved to the US to study. It was at that time he became interested in economics and investing. He also became enthralled by Indian economic history and realized that both Indians and Westerners had problems with understanding India. He saw an edge that he decided to pursue. He moved back to India to become an investor and now manages Atyant Capital. Saraogi wrote the book in 2014 – a time when the Indian markets had suffered from a severe downturn.

Investing in India is structured in six chapters where the first four focus on giving the reader an understanding of India from a social, political and economic perspective. The fifth chapter is about value investing in India where the author presents examples of what businesses to avoid (those with bad governance and poor capital allocation) and what to look for. Throughout the book the author presents case studies to describe and strengthen the points made.

Some quirks that may be surprising for the reader is that Indians avoid buying property and machinery at certain times during the year due to spirituality and superstition. Another is that debts in Indian villages are not forgiven by death but is left with the heirs. Another central theme is that of

the important roles of land, property rights and gold. It's not allowed to lend for land-buying, but prices are still high as it's seen as a valuable consumption item. Gold has been a good store of value, as it often is in countries suffering from currency debasement and instability. The country imports gold worth \$60 billion a year. Strong property rights are central to a free-market system but also act as a hindrance for building infrastructure, an area where India has huge needs of improvement.

India should not be seen as one country as the differences between the 28 states are huge - some states are likely to prosper in the near- and long-term while others have worse outlooks (the richest state has seven times the GDP per capita of the poorest). In terms of sectors, agriculture is the largest measured in people employed while services are largest in terms of GDP. On the macro side the country has a large current account deficit but at the same time a low level of external debt.

The Indian markets have often traded higher than the other "BRIC" countries. While Brazil, Russia and China have lots of cyclical and commodity companies, India has strong franchises which according to the author should command higher valuations. Saraogi is certainly bullish on the future of India, a view he shares with great investors such as Mohnish Pabrai and Prem Watsa. He thinks the groundwork has been laid and compares it with a bamboo plant that grows very slowly during the first four years while it develops its root system. In the fifth year it grows 80ft in 6 weeks! The future will tell if something similar can occur in India.

One should always invest within one's circle of competence. The book is a comprehensive guide to one of the most important countries in the world and a great start for the investor who wants to know more about the ins-and-outs of investing in India. The reader will certainly get a better understanding of interesting sectors and might even pick up some stock-tips.

Niklas Sävås, December 04, 2018