



## Capital goods our top sectoral pick in India, says Devina Mehra

*The sentiment is a contra indicator and the best time to be in the market is when people are the most downbeat, says Devina Mehra, founder and chairperson of asset manager First Global*

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Mehra prefers the capital goods sector in India.

Devina Mehra, founder and chairperson of asset manager First Global, is “significantly overweight” on capital goods and industrial machinery space in India.

In an exclusive interview to Moneycontrol, Mehra also said she has added some banks, IT services, pharma and auto components “but those are bottom-up picks rather than sectoral calls”.

Capital goods and industrial machinery has been First Global’s preferred pick for over a year, she said.

“It has given us great returns. We have booked some of the profits, we would still be significantly overweight there, though a large part of the move is done because it's done very well. Many stocks have doubled and tripled,” she said.

India's capital goods sector, estimated at over \$43 billion, is projected to reach a market size of \$112 billion by 2025 on the back of the government's focus on infrastructure development and the global trend of companies looking to shift some manufacturing out of China.

In the Union [Budget 2023](#), capital investment outlay was increased sharply for the third year in a row, by 33 percent to Rs 10 lakh crore, which amounts to 3.3 percent of the GDP. This is almost three times the 2019-20 outlay.

Some important sub-sectors of capital goods include heavy electrical equipment, earth-moving and mining machinery.

The [BSE Capital Goods](#) index has given returns of 23.77 percent over the past year compared to a drop of 1.23 percent for the benchmark Sensex.

In the financials segment, Mehra prefers banks rather than non-banks.

Speaking on the Indian market, she said it can continue its relative outperformance, though her picks in the emerging market segment include countries like Mexico and Taiwan.

“So, in ‘21, and ‘22, India was an outperformer after a very long period of underperformance relative to its history and relative to the globe both. So, I don't think that trend is really broken in the medium term. We got a bit derailed because of this whole Adani saga, which also then affected the banks... but we don't think the good trend is broken yet... and the risk of a crash is very, very minimal compared to the risk of missing out on upmove,” Mehra added.

“The best emerging markets that we really like are Mexico, Taiwan and a couple of others. India is not quite there yet because we think there will be some probable treading of the water or sideways or volatility for just another couple of months... but that's always difficult to predict,” she said.

Mehra said sentiment is a contra indicator, and the best time to be in the market is when people are the most downbeat.

“So, I think in India, probably we are being a little more pessimistic than we need to be and (it is the) best time to be in the market,” she added.

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