

Expert speaks- ‘Anything you will not buy today, you should not hold’: Devina Mehra On markets, IT Jobs, consumption and why First Global avoids real estate

In a conversation with ET Now, Devina Mehra, Founder and CMD of First Global, paid heed to the current state of Indian markets, and stated that the recent weakness could create opportunities for investors over the longer term.

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Devina Mehra On markets, IT Jobs, consumption and why First Global avoids real estate (Image: Fortune India)

Indian markets have been experiencing a challenging phase since the beginning of the year, leaving investors cautious and uncertain about the road ahead. Global events, including the US-Israel and Iran conflict, the rapid rise of artificial intelligence (AI), and fluctuating crude oil prices, have weighed on market sentiment and impacted almost all the sectors.

As investors navigate heightened volatility and uncertainty, ET Now spoke to Devina Mehra, Founder and CMD of First Global, to understand the current market environment, key risks and the outlook for investors.

Keeping in view the current market scenario, Devina Mehra believes the recent weakness could create long-term opportunities for investors. On the market outlook, Mehra cited historical periods when markets remained largely flat for nearly two years before delivering stronger returns in the subsequent period. However, she cautioned that such historical patterns should be viewed as probabilities rather than predictions.



“Yes it's been a tough market but that's probably what makes the future look a bit better because I was looking at past instances where two years the market was essentially flat that plus -2% range and on the average in the next year the market went up 25%. Of course this is no prediction because the range was quite wide,” she said.

Mehra said valuations across several sectors were not at extreme levels even before the recent market correction. She also pointed to investor sentiment as an important indicator, saying periods of fear can sometimes be followed by better returns.

“It is when there is fear and people thinking of stopping their SIPs that the next period returns are above normal,” she said.

At the same time, Mehra cautioned investors against putting their entire portfolio into equities, given the unpredictability of markets over the short term.

“I have said never have 100% of your portfolio in equities because equity markets are inherently unpredictable. I mean no one can tell you what will happen in equity markets in 1 2 3 years. We can only talk probabilities,” she said.

Banking, pharma and auto components in focus

Mehra said First Global currently has a higher-than-usual exposure to the banking sector, although she remains cautious about lenders.

“Banking I mean we hold more than what we normally do but it is not like I wouldn't call it a table thumping,” she said.

She added that pharma and auto components have remained overweight themes for the firm for more than two years.

“Pharma and auto components. So pharma of course valuation wise you can say PE are not at the super low end but it still continues to look good at least in patches and auto components actually look better than the automobile manufacturers themselves,” Mehra said.

She also said the firm has had exposure to capital goods, chemicals and other sectors, while power-related stocks had looked attractive a few quarters ago.

IT sector can navigate AI disruption, but jobs are a concern

Mehra does not believe the IT services industry is headed for a structural collapse despite the challenges facing the sector.

“I have not been one of those who was kind of reading the obituary of IT services because yes there will be pressures,” she said.

According to Mehra, Indian IT companies have repeatedly managed to adapt to changes in technology and business models, from Y2K to cloud, digitisation and software-as-a-service.

However, she believes the bigger concern for India could be the impact on employment.

“What will happen is probably they won't need as many people which we are seeing and that has more macro implications for India because for the last 25 years IT and IT enabled services are what drove employment and already we are not doing well on employment,” she said.

“We are not doing well on utilizing a demographic dividend and that is more of a concern than the future of the IT services companies themselves.”

'iPhones are selling' does not mean India is growing

Mehra sounded cautious on India's consumption story, particularly as rural demand faces pressure from a weak monsoon.

She said the consumption data available so far has not been encouraging and that the situation in rural India remains a concern.

Addressing the argument that strong iPhone sales indicate a healthy Indian economy, Mehra strongly disagreed.

“I saw somebody making a case that because iPhones are selling that shows that India is growing well I said that that's quite an absurd kind of extrapolation because for one most iPhones are sold on credit plus that is like a super high premium segment overall in any case,” she said.

“At the grassroots level this year the consumption story is not looking good at all the data I have seen.”

Mehra said First Global does hold some FMCG stocks but remains cautious about the broader consumption space because aggregate data has not been strong.

She also highlighted pressure from oil prices and the impact this can have on downstream petrochemicals, which are used by several industries, including consumer goods.

Why First Global avoids real estate

Mehra said the firm generally avoids sectors it classifies as high risk, with real estate being one such area.

“Some of the things which we classify as the high risk like real estate even though I mean at times our systems do show that it's going to do well those are the things which we generally avoid,” she said.

Asked why the firm avoids real estate, Mehra said: “It a highly volatile sector so you know that's the reason I mean at times as I said it's looked very good but we have generally not played that.”

First Global reviews its portfolio every quarter

Mehra said First Global does not remain attached to a particular investment narrative and regularly reviews its portfolio.

“We are never like married to the narrative,” she said while explaining the firm's approach to its auto-component exposure.

The firm conducts a major portfolio rebalance every quarter and evaluates its holdings from a fresh starting point rather than simply looking for reasons to continue holding existing investments.

“We don't look at what we already hold and look for justifications to continue holding it which is the way the human mind works,” Mehra said.

She added that the firm asks a simple question while reviewing its portfolio: if it had cash available today, where would it invest?

“Anything you will not buy today you should not hold,” she said, while adding that transaction costs and tax considerations can also matter.

Mehra said the firm's overall portfolio pattern has not undergone a major change recently, although individual stocks have been changed from time to time.