



FROM LUCKNOW TO WALL STREET

Leadership Lessons from Building a Global Research Powerhouse



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Ms. Devina Mehra, Founder and Managing Director of First Global, shared her transformative journey from India to global financial markets in a comprehensive session with Chandu Nair and Shyam Sekhar.

From Lucknow to Wall Street— Pioneering Global Markets

Ms Devina Mehra

Founder & CMD, First Global

Starting a company and taking it global against all odds was the journey I embarked upon. When we came to the US and started approaching Wall Street from India, the situation was completely different from today. There were no Indian companies, no precedent, no policy. RBI did not have any policy for a subsidiary in the brokerage and financial advisory business. We had to create a new category. But we became members of the London Stock Exchange in 1999. So we were not just the first Indian, but the first Asian members, excluding Japan.

When we decided to go global, I did not have the traditional corporate approval. I essentially said, "Why can't I do it? The data is available, the analyst meetings are on the phone. I can join from anywhere.



Why can't I manage money and advise from India?" Against all advice and all precedent, we pushed forward. We got the National Association of Securities Dealers license in the US, which required passing certain exams. Once we had that, we started covering global stocks.

The most heartening part was what happened in India. In the 1990s, you knew journalists and editors personally. You would just send out your work, and within no time we were in Forbes, Fortune, Business Week, Wall Street Journal front pages everywhere. I still remember showing my father something on the Wall Street Journal front page which said, "First Global has come up with a new way of looking at things." I said to him, "Papa, you know I didn't do a doctorate, but you know I am doing some research which is being recognized globally."

The lesson from this experience is that if you do good work and you drill down, you will discover things that others have not. Even when we started doing macroeconomic research, I did not have an economist on board. I had regular engineers with

MBAAs, and they asked me, "Madam, how are you going to do this?" I said, "The same way you do a company projection. If you break down the GDP into as much detail as is available and then project every single line, your projection will be better than somebody doing it at a high level."

We used to have very provocative covers to our research because we did not want it to become boring. What is now called clickbait, but you know, if somebody has to read your report and you have done great analysis, at least a cover should make them open the report. Our first UK macroeconomic report said that the Bank of England's GDP estimates won't be met. When the final numbers came, we were right and the Bank of England was wrong. I was laughing because I said they must have at least 100 economists, if not more, and I had none. So it is just that you have to go deep into things.

Equity Research Evolution and New Skill Sets

Mr Chandu Nair

Entrepreneur – Advisor & Facilitator

Devina has seen equity research in India from the time it started to today. What is remarkable is how the landscape has changed fundamentally. The playing field has shifted completely. In the 1990s, equity research was about information arbitrage. If you had more information than somebody else in the market, you had an advantage. But now by law, everywhere—India, Europe, United States—all

information must be in the public domain.

The skill set required has fundamentally changed. It is no longer about who can find information first. Now it is about who can analyze vast amounts of data and come up with insights that others have missed. This is where artificial intelligence and machine learning become relevant. The computing power is no longer a constraint. You can analyze thousands of factors. But the challenge is distinguishing between correlation and causation. Many spurious correlations exist. You cannot just test anything and everything.

Data-Driven Investing and Human Psychology

Mr Shyam Sekhar

Founder and CEO, iThought Financial Consulting
LLP

What most people do not realize is that investing is not as simple, nor as complex as people make it out to be. You do not need to be a professional-level investor to understand how to get multibaggers. Many people freeze when confronted with choice. They are either all fixed deposits and safe instruments, or they want to become day traders. Both are wrong. The reality is that most investors need sensible asset allocation. That's 85 to 90 percent of the way there. You don't need to optimize for the last 10 percent.

The human brain has evolved for only two things: survival and procreation. Many of the behavioral biases we see in investing stem from this evolutionary design. There is loss aversion bias—a loss of one lakh

causes more pain than the joy from a profit of one lakh. There is overconfidence bias. The biggest difficulty is overcoming your own mind because your mind is not geared to optimize a portfolio. But if you stick to the boring basics—sensible asset allocation, starting early, continuing consistently—you will reach your goal. ■

PANEL DISCUSSION

Insights on Equity Research, Investing, and Global Markets

Mr. Shyam Sekhar: *Devina has seen equity research from its beginning in India to today. How do you think the equity research of the future will be different from the equity research of the past three decades?*

Ms. Devina Mehra: The playing field has completely changed. You cannot play with the old tools. Many funds and professionals are still managing money the way it was done in the 1990s, but the skill set requirement has changed. Information arbitrage is gone. Now the skill set is analyzing a lot of data and coming up with insights which is not a human-only skill. The short answer is that the skill set required has changed and research should evolve in that direction. But it is not that quant methods are a magic bullet. It depends on how well you are doing it.

Mr. Chandu Nair: *What kind of new skill sets should somebody who wants to research businesses and*

companies now go after? What should one acquire?

Ms. Devina Mehra: Of course you need to know the basics of how to crunch numbers. But one thing which a lot of people do not do is go beyond the income statement of profit and loss account. The real story hides in the cash flows, in the ratios, in the balance sheet. Companies know most people will look only at the income statement, so they hide things there. For example, if a company faces a slowdown, the first thing they do is go to their buyers and take a longer credit period. So instead of 20 days, they take 60 days. The sales and profit numbers come even though the cash is not coming in. You need to understand that.

Mr. Shyam Sekhar: Most investors have relationships with money that are very emotional. Many do not know why they are earning money, what money they have, and how to think about it. In investing and all of this, you do not need to be a professional to understand the basics. Some people just do sensible asset allocation and continue with that. That 85 to 90 percent is the way through. You do not need to optimize for the last 10 percent.

Ms. Devina Mehra: As for AI and machine learning systems, we think there is still human intervention required because not everything AI can capture. For example, geopolitical events, COVID, something like that—AI cannot make predictions. But human irrationality is not what you are trying to target through the AI. That is like what you are trying to get over by putting the AI-ML system in place. The idea is to get rid of human irrationality.

Mr. Chandu Nair: *Devina, if you could talk to a*

young woman who is starting her financial journey, what would you advise her? Many people think making money in equity is easy. What are your thoughts on reasonable return expectations?

Ms. Devina Mehra: The long-term returns from Indian markets have been in the range of 15-16 percent. But the decade-to-decade variation has been very high. Looking at the 1980s, compounding was 21 percent. The next decade, 18 percent. Then 14 percent, then 17 percent. From 2010 to 2020, it was not even 9 percent—the same as fixed deposits at about 8.7-8.8 percent. So there is variation in equity returns. Equity returns are not predictable even for seven or eight year periods. From 1994 to 2003, the net return was zero. The market went up and then came down with zero net return. The real power in markets is the ability to live through that variation. You need discipline, consistency, and patience.

To a young woman, I would say: first, start investing early, because if you start early, you need to save less every month than if you start five years later. The boring basics matter most. And I have a long-held belief that you should not fall into the trap of pursuing entertainment value from equity markets. If I say I am only doing boring things, what will I talk about in parties when my friend says that's boring? Well, do not fall into that trap. For me, the real thrill comes from learning. Money is something good to have, and it is important to have up to a point. Studies show that up to about \$70,000 income per annum, it adds to your happiness. Beyond that, it just tapers off.

Mr. Shyam Sekhar: *An early mindset and habits question: from your time at Lucknow University, what*

prepared you for leadership in Wall Street and global markets? Is there something that you would tell younger leaders and entrepreneurs who want to build careers and organizations that outlast cycles? What one leadership principle should they commit to early and never compromise on?

Ms. Devina Mehra: I would think integrity is the most important. In terms of both external ethics as well as what really matters to you. I remember a time in City Bank when I was still very new—probably two years in. I was asked to do an appraisal of a project for an IPO, and I came back and said I did not think it makes sense. There was a big fight because my merchant banking head was a good friend of the promoter. He called me and asked me to do the appraisal anyway. I said I was not going to put my signature as a professional and ask people to invest in something where I do not think it makes sense. There was a confrontation, but I stood my ground. Integrity is always a slippery slope. Nobody starts out thinking they will go to jail or bring down an institution. It is always a series of small steps. That is why you have to be extremely careful. Do not take the first small step that compromises your integrity.

And I would like to see a lot more women managing their own money. There is no independence without that. Managing your own money teaches you discipline, understanding of markets, and financial independence. It is a cause I am very passionate about. I use every platform I get to advocate that all women should manage their own money because there is no independence without that.

Mr. Chandu Nair: Do not look for shortcuts. Do not

think that you will become a day trader because you are from a small town. Actually, the smaller the place, the more people lose money. There is less education, less income everywhere, and losses are more. So do not look for shortcuts. If you want to do this, then do a thorough job of learning about it and then doing it. It does not matter where you come from. Education, drive, and hard work matter far more than where you started. ■