THE HINDU BusinessLine

‘I do not want to be a bull or a bear, I want to be a hare,’ says Devina Mehra of First Global

April 20, 2023 - Updated 03:05 pm IST

How veteran fund manager Devina Mehra of Global First made the leap from not even knowing what a share was to spotting 100-baggers

By KUMAR SHANKAR ROYBL RESEARCH BUREAU

One of the most respected and credible names in the world of investing and research, Devina Mehra — Founder, Chairperson and Managing Director of First Global group — is a maverick in her own right. She has called out major market turning points time and again, and was an early investor in HDFC Bank, Amazon, and Apple, among other blue chips. In an interaction with *bl.portfolio*, Devina takes a walk down memory lane, shares investing insights, and much more. Read on.

Profile

Devina has an MBA from the storied IIM, Ahmedabad, where she was a gold medalist. She has a graduate degree in Mathematics, Statistics and English from Lucknow University, where she won eight gold medals.

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First brushes with investment as a child/teenager?

I had no real brushes with investments while growing up. Lucknow wasn't a business-oriented city: it was mostly educational institutions, research institutes, and the government. My parents were both in academics... who had no interest whatsoever in money or Investments. I did not even know what a share was till I came to IIM Ahmedabad!

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How and when did you fall in love with stock markets?

When I came to IIM, I had no prior knowledge of anything that was taught there and I enjoyed my two years there precisely because there was so much new stuff to learn. But there was no falling in love with the stock market at that stage and, in any event, no professional equity research existed at the time. The campus career choice was more by the process of elimination, whereby I applied only to consultancies and banks and I got what was then the number one job, in Citibank.

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Your very first financial investment with personal money?

The very first investment proved to be very lucky, which was Citibank's unlisted backend processing house where, since regulations did not allow a 100 per cent subsidiary, they allowed employees to buy shares. This later listed as Citicorp Securities India and my ₹25,000 investment became over a crore, which was an unimaginable amount at the time. This also became seed capital towards the founding of First Global.

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What made you give up your cushy job at Citi and set up a brokerage house?

I was always a seeker of learning and therefore had been restless at my job for a while. I started off in investment banking but felt I had learnt all that was possible in a couple of years even though I stayed there for five years. I enjoyed the last two years in Citibank when I was doing credit analysis, as I enjoyed learning about industries and companies. There were two triggers for me to leave. The first was that the Bombay Stock Exchange decided to give 71 new professional memberships at a lower price and I applied. Then, in the 1993 budget, Dr Manmohan Singh opened the market to foreign institutional investors and I thought this would be a trigger for the market to professionalise, and hence I resigned. In terms of the job description, I often tell new hires that this is a job I would do for free because this is something where you get paid for learning.

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Although India has been an attractive market for many years, you have covered US, Europe markets for a long time. Is the process of investing and research easier abroad than in India?

When I thought of going global, and specially to the largest markets in the world, not one person thought that I could succeed because, at that time, doing research remotely had never been thought of. Twenty five years ago, the Western world was a bit better in terms of available information, given that companies had an investor relation departments, scheduled conference calls etc, which have of course, now become standard in India also.

But what is really different between US, Europe, etc, and India is that their companies are much more complex and the market is much more dynamic than ours. To give you an example, tech majors in the US 20 years ago meant companies like IBM, Dell, Motorola, Cisco, etc, none of which would be top of mind today. So leadership changes and industries evolve much, much faster. On the other hand, the big companies in India — Reliance, Maruti, Infosys, HDFC, etc — have broadly remained the same over these two decades!

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How do you approach investing?

The key to understanding everything is to look at the data and to go in-depth into everything. Don't take anything for granted: that has been my philosophy. Many steps to this, including going in-depth into company financials and thinking deeply about the estimate of every financial parameter. For example, I never started with whether the margin would go up and down but projected every single line item; and when you do that you will realise that not everything varies with sales. Also, to deeply analyse cash flows, balance sheet numbers and financial ratios — because that is where problems hide and that is where insights lie.

Plus, my philosophy was to not even take so-called financial fundamentals for granted. For instance, I have been challenging the Efficient Market Theory since the '90s because it was at variance with my observations in the markets. I came up with new financial ratios to better capture what was happening. Even to analyse industries and companies I used tools like regression analysis to forecast demand. Then one also realises that there was something a bit beyond fundamentals, because even if you were right about a stock, at times it would go down some more before moving up or vice versa. Which is when we also started to analyse momentum, but only strictly as an addendum to fundamental analysis.

The next big evolution was to put a lot of these learnings into an artificial intelligence and machine learning system that could analyse everything across the whole universe on a standardised basis, without bias or noise. As a philosophy, I do not want to be a bull or a bear, I want to be a hare, which is the First Global mascot. A hare is smart, it is quick, but it can also change direction fast. Plus it has 360-degree vision, which is something all of us aspire to.

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You have been an early investor in HDFC Bank, Amazon, Apple, Netflix. When did you spot them and what was the initial investment rationale?

For Amazon we were the only firm with a 'buy', and that too a strong 'buy' at a price of $15 in 2001. My call was based on the fact that the last quarter of 2000 was the first time Amazon had made substantial positive cash flows and yet that was the time the rest of Wall Street was saying that the company would go bankrupt, which made no sense to us or anyone else who would've thought about the numbers. In the case of HDFC Bank, I would say it was fundamentals++. Obviously there was the scenario of taking away some market share from dominant public sector banks with a strong brand like HDFC. However, there was also an additional factor which is particularly important for banks. As I always say, I'm a wary investor in banks as you never know where negative surprises are hiding in a bank. In this particular case, because so many in the bank's management were ex-colleagues, I could take a bet that the risks would be managed properly.

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In recent times, where did you spot bubbles and why were they bubbles?

Crypto was an obvious recent one — not that I knew exactly when the fall would come, but even for an asset class with a very limited history it was clear... there had been several 70-85 per cent losses or drawdowns in the past. Hence, it was not difficult to foresee that this would happen again. Even at the time that all these Nasdaq ETFs and funds were being launched in the Indian market in 2021, I was on every TV channel saying that this is clear recency bias: that just because the Nasdaq has done well for three years you're extrapolating that it would always do well, forgetting its history, including the fact that it did not take out its 2000 highs till 2015!

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Any wrong calls?

The one thing learnt over the years is that you are definitely going to be wrong at least one-third of the time and therefore one has gotten better at admitting mistakes and getting out of them, including having a strict stop-loss. In terms of a wrong call that stands out is thinking that IT services were hugely overpriced in the '90s because the PEs (price to earnings) went very high, but then the prices kept going higher as the companies did deliver on the growth promise. It was also an early lesson not to short stocks!

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How does your personal asset allocation look?

Currently, it will roughly be: Indian equities 20 per cent, global equities 60-65 per cent and fixed income 15-20 per cent. I do not invest in illiquid securities and own only one residence, which I am not including above.

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As a woman, how did you manage work-life balance?

I started working very early — I was the youngest in my MBA class and worked for five years even before I got married. Through the '90s, when I was actually building up the business, which was an all-consuming task, I did not think of having kids. I decided to have a child pretty late, by which time the business was established and I had more flexibility on the time front, but that is not an option that is available to most women. Although it is rather unfair to ask only women this question when men are never asked how they balance fatherhood and career!

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Any parting advice for investors?

Always look at data because your mind will always force you towards storification, which misleads. Read not just about investment principles but also the fallacies in your own mind, including cognitive biases, as that will trip you up more often. Remember that some of your decisions are going to be mistakes. Accept this upfront so that you do not hesitate to recognise them. No investor in the world has even an 80 per cent strike rate, let alone a 100 per cent one.