

Why you can't compare a Zomato to a HUL. Devina Mehra explains

Coming to themes like ESG, **Devina Mehra, Chairperson & MD, First Global**, says one has to be careful not to get caught up in the buzz because many of these things are announcements and the right noises on the part of both governments and corporates. One has to look at what people are actually doing on the ground and how much of a difference that will make to the output of what they are doing in terms of revenues and profitability.

I want your view on India's Atmanirbhar outlook. It is not just an India thing. China too is now looking at first catering to China and then if something is left over, serving it to the world. That is the case with Japan. Do you see opportunity opening up for India and perhaps other markets as well, as China starts to look inward?

Yes you are right. The Atma Nirbharta is now not only in India. Nehru ji's self sufficiency seems to be the flavour now partly because so many supply chains were disrupted round the world. The US itself has a policy document saying which are the industries where they want to control the whole supply chain or where they want to invest more in those industries in the US. Even if it is, we are moving from a very, very flat world where one sourced from wherever something was available and have just in time inventory to a place where you want, to control the whole thing.

Whether it is China, US or even EU for that matter, the governments are willing to invest. So, China had two-three major things; one, there are certain industries, especially high tech and innovation. Right from neuroscience to semiconductors, the Chinese government wants to invest in that and they are also moving to more state control than was the case earlier.

But that does not mean for the low tech products they are saying that we do not have capacity for the world. I do not think that is happening. There is no reason for us to assume that China will suddenly withdraw supplies from the world. That is not what they want but rather they want to control the entire supply chain.

The rest of the world, on the other hand, wants more suppliers other than China. They want to reduce their dependence on China and that has been the case not just today, it has been there for the last couple of years or more. Unfortunately, barring some isolated pockets here and there like chemicals and now a little bit on the APIs side, India has not taken enough advantage of that.

In many other Asian countries like Vietnam, Bangladesh, various others moved much faster on that. Even though, logically we should have done a lot more, I think we can do much more than what we have done in terms of being a China plus one supplier. Definitely. that is an opportunity and I hope more Indian companies take advantage of that.

If one makes a basket of five top consumer companies Nestle, NSE 0.17 % , Britannia are the obvious ones and if one makes a basket of five top consumer tech companies itis just NSE 2.30 % now but soon it could include policy bazaar, Nykaa on a three to five year basis. Would the traditional FMCG basket or the new consumer tech basket will outperform?

You are talking of two different ends of the risk spectrum with the latter being highly risky as we do not even know that of the second basket, how many will be real survivors at the end of three to five years. Even for companies which have been around a long time, I do not like to make three-to-five-year projections. That is the whole point of being Hare-ish.

I will give an example from another country. The tech giants like Alibaba, Tencent were the big outperformers, absolute gainers for us last year. But then things began to change. First it happened with an Alibaba affiliate. At the last minute, there was a Chinese government clampdown. Then it happened with a series of other tech companies.

China wanted to cut down these tech giants to size; from being 10-11% in China in early this year, they are now down to a couple of percent or even a little lower than that. So, we do not like to hold long-term views. As against that, I was talking to a large international bank and they had a buy when Alibaba was just over 200 (now it is 180 odd). When it was nearly 320, it was still a buy for them. So you can have a buy all the way down. At \$200 or \$210, the target price was \$300. The stock has gone through that price and it has come down but the bias still remains the same. That is not the way to look at it, especially for these new consumer tech companies where the uncertainties are much higher.

We have to see how it pans out because as new players come in, market shares change and many changes happen and we right now do not even know what that five stocks basket is because they have not even been listed. One cannot really compare it with companies like HUL which have been around for 100 years.

Let us talk about the next two to three years. The Prime Minister was talking in terms of making India a better source of energy. ESG is the biggest theme which is now being talked about both in the boardrooms and investing rooms. How can one benefit from this mega trend?

You have to be careful that you are not getting caught up only in the buzz because many of these things there are announcements and the right noises on the part of both governments and corporates. One has to look at what people are actually doing on the ground and how much of a difference will that make to the output of what they are doing in terms of revenues and profitability.

It also means that at times that by opting for that, you might be giving up some profitability. Or you might be a supplier to these kinds of businesses which is a different thing. While we have cut down on China last month, our two top performing companies were Chinese companies in solar energy and energy. So there is opportunity there but you have to see who is able to actually implement things, who is actually able to make some difference to the actual output rather than just making the right noises. In terms of investing communities moving towards ESG, it is still early days for India.