

# 'I strongly believe in the power of equity'

Equities are poised to deliver healthier returns compared to real estate, gold and silver, feels Devang Mehta

## NALINA KANTHIV

He made his debut investment in the stock market when he was barely 18.

The first stock he bought has grown over 200-fold in the last 20 years.

Mind boggling? Devang Mehta, Senior Vice-President and Head of Retail Research at Anand Rathi, shares his experiences as an investor.

## What got you interested in investing?

My first rendezvous with the stock market was when I was barely 14. I was studying in school then and was not legally allowed to invest in the market, being a minor.

I used to assist my grandfather and father, who were avid equity investors, by filling up the IPO (Initial Public Offer) forms for them.

The market for IPOs was just picking up then and there were good quality issues. I was wait-

ing to turn 18, as I could not invest in stocks before that.

**What was your first investment?**  
As soon as I turned 18, the first equity investment I made was in the IPO of Pidilite Industries, the maker of Fevicol. The stock price has returned over 30 per cent annually since my investment. The company's robust fundamentals supported the strong rally in the stock price.

## What has been your best investment so far?

My first investment turned out to be my best. Being in a niche space, the company enjoyed good pricing power that provided the much-needed durable competitive advantage. I'm still invested in that stock, despite its price having grown multi-fold in the last 20 years.

## What is your current asset allocation like?

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equity. Equity investments are very critical to achieve long-term financial goals.

They play a very important role in creation, preservation and multiplication of wealth over the long term.

Of course, to meet the short-term goals, one should have some cash and debt investments too.

While I am overweight in equities, I have a small portion of my surplus in debt (fixed deposits and debt funds) largely to meet

my short-term monetary needs.

## Which asset class, in your opinion, will outperform over the next two-three years?

I believe equities as an asset class are better poised to deliver healthy returns.

Real estate, in my opinion, is too big an investment, particularly for retail investors.

I don't have large investment in realty. Moreover, real estate, gold and silver may underperform in the near term.

## Does a buy-and-hold strategy work for equities?

It does. Equities are long-haul investments; they deliver healthy returns over a longer time horizon. If you keep looking at the stock tickers everyday and act on them, you may miss the bigger picture.

That said, one should not just buy and forget it. It is very important to periodically review your stocks for any change in the business fundamentals.

## What is the success mantra for investing in equities?

First, invest for the long term; don't try to make a quick buck.

Rome was not built in a day. Invest only your surplus; do not leverage to invest in equities.

Do proper due diligence before investing in equities. Go for fundamentally-strong stocks with a good business model.

It is also important to ensure that you invest in companies with good corporate governance practices and trustworthy promoters.

If you think you don't have the time and resources to study companies before investing, let the experts like mutual fund managers do the job for you. Instead of seeking tips and multi-bagger ideas, ask for sound investment and portfolio advice.

## Any lessons that you would like to share from your past mistakes?

Never try to average your investment cost in fundamentally-weak or bad stocks. For instance, if you have bought a stock at ₹400 a share and the price crashes to ₹50, don't try to average out the cost by buying it at lower levels. Even if you have made a wrong decision by investing in such stocks, be ready to accept it; exit and book a loss.

## Work profile

Has over 14 years of experience in the investment industry. Holds a diploma in investment studies from Jamnalal Bajaj Institute of Management Studies.